

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name COUNTY OF OGEMAW	County OGEMAW
Audit Date 12/31/2004	Opinion Date 06/02/2005	Date Accountant Report Submitted to State: 07/29/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) STEPHENSON, GRACIK & CO., P.C.			
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Accountant Signature  Donald W. Brannan CPA		Digitally signed by Stephenson, Grack and Co., P.C. DN: cn=Stephenson, Grack and Co., P.C., c=US Date: 2005.02.14 14:30:02 -05'00'	



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COUNTY OF OGEMAW
WEST BRANCH, MICHIGAN

AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2004

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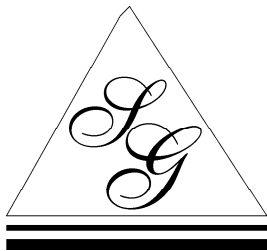
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June 2, 2005

Independent Auditors' Report

Board of Commissioners
County of Ogemaw
West Branch, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Ogemaw, West Branch, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County of Ogemaw's basic financial statements, as listed in the index. These financial statements are the responsibility of the County of Ogemaw's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Ogemaw County Public Transit, a component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ogemaw County Public Transit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Ogemaw, West Branch, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2005, on our consideration of the County of Ogemaw's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Commissioners
County of Ogemaw
June 2, 2005
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Ogemaw's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stephenson, Grault & Co., P.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the County of Ogemaw's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole. The discussion focuses on the County's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Financial Highlights

- The County's assets exceeded its liabilities by \$13,289,273.
- The County's total net assets increased by \$1,511,026.
- The County's governmental funds reported combined ending fund balance of \$1,819,893 this year, an increase of \$910,910. Of this amount, \$1,611,022 is available for spending (*unreserved fund balance*) on behalf of its citizens. The County General Fund 2004 year end *fund balance* is \$126,257, of which \$25,677 is restricted or set aside.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the County as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The County's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the County as a whole. These statements include the financial activities of the primary government and its component units except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or functions of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County with certain limited exceptions. The comparisons of direct expenses with program revenues identify the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Capital assets are comprised of buildings, building improvements, water and sewer lines, dams, radio towers, vehicles, office equipment, computer equipment and land owned by the County. These assets total over \$13 million. The County Treasurer performed a department-by-department inventory and evaluation of assets and categorized a depreciation schedule for assets not fully depreciated.

Property taxes for 2004 that will be received in the future are listed as *taxes receivable* and as *deferred revenue*. EMS property taxes are presented the same way.

The County's component units are comprised of the Ogemaw County Road Commission and Ogemaw Public Transit. These component units are described in the *Notes to the Financial Statements* (Exhibit K). The component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

The County Road Commission displays assets totaling \$9.7 million primarily due to county roads. The Ogemaw County Public Transit lists \$666,000 in assets, and of that amount, \$334,382 is shown as net capital assets.

Fund Financial Statements

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental*, *Proprietary* and *Fiduciary*.

Governmental Funds:

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

- General Fund – This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.
- Housing Fund – This fund accounts for federal, state and local funding used to obtain financing and construct or rehabilitate low-income housing for qualified Ogemaw County residents.
- Probate Child Care Fund – This fund accounts for revenue restricted for foster care of children through the 34th Circuit Court – Family Division and County Family Independence Agency.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The County's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following is the County's major enterprise fund:

Emergency Medical Services Fund – This fund accounts for fees collected for ambulance services provided in the County and a county-wide property tax levy.

Internal Service Funds – The County also utilizes internal service funds to record the financing of services provided by the local unit to other departments and funds, and to other governmental units on a cost-reimbursement basis. The County uses these funds to account for delinquent property tax collections.

Fiduciary Funds: Fiduciary fund reporting focuses on net assets and changes in net assets. The County's agency funds account for assets held by the county for political subdivisions in which the County acts as fiscal agent for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the county *government-wide* and *fund* financial statements. Exhibit K notes 1 – 15; provide an expansive and thorough view of various aspects of the audited financial statements.

Ogemaw County Road Commission and District Health Department #2 related financial data are included throughout the notes to financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and schedules.

Government-Wide Financial Analysis

Summary of Net Assets:

The following summarizes the net assets of the County of Ogemaw at December 31, 2004:

Net Assets Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets	\$ 10,434,477	\$ 1,058,120	\$ 11,492,597
Capital Assets – net	<u>7,335,681</u>	<u>187,188</u>	<u>7,522,869</u>
Total Assets	<u>17,770,158</u>	<u>1,245,308</u>	<u>19,015,466</u>
Current Liabilities	3,988,729	646,608	4,635,337
Long-Term Liabilities	<u>1,076,259</u>	<u>14,597</u>	<u>1,090,856</u>
Total Liabilities	<u>5,064,988</u>	<u>661,205</u>	<u>5,726,193</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Assets			
Investment in Capital Assets, Net of Related Debt	\$ 6,334,318	\$ 159,679	\$ 6,493,997
Restricted	183,194	0	183,194
Unrestricted	<u>6,187,658</u>	<u>424,424</u>	<u>6,612,082</u>
Total Net Assets	<u>\$ 12,705,170</u>	<u>\$ 584,103</u>	<u>\$ 13,289,273</u>

Summary of Net Assets:

The following summarizes the net assets of the County of Ogemaw at December 31, 2003:

Net Assets Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets	\$ 10,128,446	\$ 896,914	\$ 11,025,360
Capital Assets – net	<u>7,323,917</u>	<u>194,239</u>	<u>7,518,156</u>
Total Assets	<u>17,452,363</u>	<u>1,091,153</u>	<u>18,543,516</u>
Current Liabilities	4,407,563	579,646	4,987,209
Long-Term Liabilities	<u>1,704,074</u>	<u>73,986</u>	<u>1,778,060</u>
Total Liabilities	<u>6,111,637</u>	<u>653,632</u>	<u>6,765,269</u>
Net Assets			
Investment in Capital Assets, Net of Related Debt	7,252,809	134,540	7,387,349
Restricted	297,505	0	297,505
Unrestricted	<u>3,790,412</u>	<u>302,981</u>	<u>4,093,393</u>
Total Net Assets	<u>\$ 11,340,726</u>	<u>\$ 437,521</u>	<u>\$ 11,778,247</u>

Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for 2004.

Generally speaking, the County's net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The County of Ogemaw, through its governing body, i.e., board of commissioners, has taken a sensible approach vis-à-vis capital asset acquisition and amortization of the incurred debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

The County board of commissioners has prudently set aside funds to offset potential personnel and/or administrative liabilities. It is the County's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program Revenue:			
Charges for Services	\$ 2,208,993	\$ 931,329	\$ 3,140,322
Operating Grants and Contributions	2,430,711	0	2,430,711
Capital Grants and Contributions	<u>300,849</u>	<u>0</u>	<u>300,849</u>
Total Program Revenue	<u>4,940,553</u>	<u>931,329</u>	<u>5,871,882</u>
General Purpose Revenue:			
Property Taxes	5,268,121	584,617	5,852,738
State Revenue Sharing	205,840	3,184	209,024
Investment earnings	257,678	3,813	261,491
Other	<u>142,234</u>	<u>0</u>	<u>142,234</u>
Total General Purpose Revenue	<u>5,873,873</u>	<u>591,614</u>	<u>6,465,487</u>
Total revenue	<u>10,814,426</u>	<u>1,522,943</u>	<u>12,337,369</u>
Program Expenses:			
General Government			
Legislative and Executive	116,772	0	116,772
Judicial	1,616,390	0	1,616,390
Financial and Tax Administration	622,988	0	622,988
Other General Government	1,591,962	0	1,591,962
Public Safety	2,997,386	0	2,997,386
Public Works	187,863	0	187,863
Health and Welfare	1,966,000	0	1,966,000
Community and Economic Development	278,926	0	278,926
Interest on Long-Term Debt	76,022	0	76,022
Emergency Medical Services	0	1,348,991	1,348,991
County Park	0	22,883	22,883
Homestead Audit	<u>0</u>	<u>160</u>	<u>160</u>
Total expenses	<u>9,454,309</u>	<u>1,372,034</u>	<u>10,826,343</u>
Increase in net assets before transfers	1,360,117	150,909	1,511,026
Transfers In (Out)	<u>4,327</u>	<u>(4,327)</u>	<u>0</u>
Change in Net Assets	1,364,444	146,582	1,511,026
Beginning net assets	<u>11,340,726</u>	<u>437,521</u>	<u>11,778,247</u>
Ending Net Assets	<u>\$ 12,705,170</u>	<u>\$ 584,103</u>	<u>\$ 13,289,273</u>

The following summarizes the changes in net assets of the County of Ogemaw at December 31, 2003:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program Revenue:			
Charges for Services	\$ 2,575,425	\$ 979,225	\$ 3,554,650
Operating Grants and Contributions	2,968,058	0	2,968,058
Capital Grants and Contributions	<u>32,922</u>	<u>0</u>	<u>32,922</u>
Total Program Revenue	<u>5,576,405</u>	<u>979,225</u>	<u>6,555,630</u>
General Purpose Revenue:			
Property Taxes	3,786,863	565,818	4,352,681
State Revenue Sharing	392,458	3,546	396,004
Investment earnings and miscellaneous	<u>427,917</u>	<u>2,255</u>	<u>430,172</u>
Total General Purpose Revenue	<u>4,607,238</u>	<u>571,619</u>	<u>5,178,857</u>
Total revenue	<u>10,183,643</u>	<u>1,550,844</u>	<u>11,734,487</u>
Program Expenses:			
General Government			
Legislative and Executive	135,500	0	135,500
Judicial	1,741,116	0	1,741,116
Financial and Tax Administration	615,422	0	615,422
Other General Government	1,474,478	0	1,474,478
Public Safety	2,932,893	0	2,932,893
Public Works	199,753	0	199,753
Health and Welfare	2,154,801	0	2,154,801
Community and Economic Development	500,833	0	500,833
Interest on Long-Term Debt	86,064	0	86,064
Emergency Medical Services	0	1,352,626	1,352,626
County Park	<u>0</u>	<u>17,592</u>	<u>17,592</u>
Total expenses	<u>9,840,860</u>	<u>1,370,218</u>	<u>11,211,078</u>
Increase in net assets before transfers	342,783	180,626	523,409
Transfers In (Out)	<u>(9,624)</u>	<u>9,624</u>	<u>0</u>
Change in Net Assets	333,159	190,250	523,409
Beginning net assets	<u>11,007,567</u>	<u>247,271</u>	<u>11,254,838</u>
Ending net assets	<u>\$ 11,340,726</u>	<u>\$ 437,521</u>	<u>\$ 11,778,247</u>

Governmental Activities

With GASB 34 implementation, this new component of reporting reflects the *Statement of Activities* and illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$4,940,553 from *Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions*. The *Charges for Services* are fees for real estate transfers/recordations, fees associated with the collection of property taxes, fines and forfeitures related to judicial activity, and licenses & permits. While revenue collected is substantial, operating expenses totaled \$9,454,309 for these same activities. The largest expenses were incurred by other General Government offices (\$1,591,962), Probate Child Care (\$1,095,263) and Public Safety (\$2,997,386).

Business-Type Activities

Ogemaw County's *Business-Type activities* are limited to the County Park, Emergency Medical Services Department and Homestead Audit activities. The County Park has long proven itself to be a *net* revenue generator and for 2004 it netted \$1,590. On the other hand, while EMS charges for services were \$902,360, its operating expenses total \$1,348,991. The difference was subsidized by a tax levy of \$584,617.

Financial Analysis of County Funds

As noted earlier in this report, the County uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds: 1) General fund – accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue; 2) Housing Commission Fund – accounts for federal, state and local funding used to obtain financing and construct or rehabilitate low-income housing for qualified Ogemaw County residents; and 3) Probate Child Care Fund – accounts for revenue restricted for the foster care of children through the 34th Circuit Court – Family Division and the County Department of Human Services.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

This year's County audit, following GASB 34 format, shows 39 funds. These funds are maintained by the County Treasurer as separate units in the general ledger.

The Flowage Lake Dam Fund shows a deficit due to a loan the County paid to it in 2002. The fund is paying back the County each year with the special assessments levied in the district. It will be paid off in 2006. The County EDC issued one loan this year. The activity of most of these funds would be considered normal as opposed to other years.

The Delinquent Tax Revolving Funds (DTRF) show 2004 net assets of \$3,120,478. This was a gain of \$157,158 over 2003 net assets of \$2,963,320. Of this amount, the cash available at the end of 2004 was \$1,742,856 a decrease of \$270,601 from December 31, 2003. The County Treasurer would need approximately \$2 million for delinquent tax borrowing. It is feasible that the County of Ogemaw could become self-funded in the not-to-distant future. Self funding would save legal fees, borrowing costs, and the interest expense. As loan rates continue to rise, self funding will mean significant savings to the County.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements. Departments such as Emergency Medical Services, County Park, Homestead Audit, and Internal Service Funds comprise these funds. GASB 34 places such funds under the caption of *Proprietary Funds* under the appropriate statements, i.e., *Statement of Net Assets*, *Statement of Cash Flows*, etc. More specific detail is seen in Exhibits G, H, and I.

Budgetary Highlights

The year ending December 31, 2004 was an interesting and financially solvent year for the County of Ogemaw. Both external and internal pressures forced the board of commissioners, elected officials, department heads, and employees to work cohesively and in collaboration to mitigate potential problems.

The County began the year with a \$355,433 general fund balance. At year's end, that balance had decreased to \$126,257, an unfavorable decrease of \$229,176. The fund balance is noteworthy in light of a significant Probate Child Care Fund deficit of \$215,100. An additional fund deficit was noted in the Flowage Lake Dam Fund. The General Fund actual revenue of \$7,094,936 versus budgeted revenue of \$7,181,858 netted an unfavorable variance of \$86,922. Actual expenditures of the General Fund were \$6,509,603 versus budgeted expenditures of \$6,577,450 showing a favorable variance of \$67,847.

It is interesting to note that while General Fund actual expenditures were \$585,333 less than actual revenues, the county still realized an unfavorable decrease in the fund balance. A substantial part of this decrease is due to transfers of \$767,715 into the Probate Child Care fund. In 2004, the county's *Delinquent Tax Revolving Fund* reached the level whereby it became self-funded...a historical first! This realization will amount to potential savings of \$60,000 per year in our present economy with greater savings in escalating economies.

The county placed a "veteran's operating millage" on the November 2004 ballot which was adopted by the electorate. This millage will help with overall funding issues in the years to come. Significant personnel changes were noted with the Housing Commission Director being laid off and the County Prosecutor not being re-elected. An investigation into County Jail Administration resulted in the County Jail Administrator resigning his position with ongoing investigations. Overall county personnel numbers remained consistent with prior year levels.

Capital Asset and Debt Administration

Capital Assets

Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The County's infrastructure consists of roads, bridges, dams, and water/sewer lines. Improvements are capitalized, i.e., depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital Assets – Governmental Activities beginning balance was \$11,744,255 with an ending balance of \$11,814,440. Governmental Activities Total Capital Assets – Net of Depreciation was \$7,335,681.

Capital Assets - Business Type Activities beginning balance was \$577,760 with an ending balance of \$645,561. Business-Type Activities Total Capital Assets – Net of Depreciation was \$187,188. An expanded and detailed presentation may be seen in Note 6 of the audit, notes to financial statements .

Long-Term Debt

The Long-Term debt of the County of Ogemaw, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the County Board of Commissioners or business trade activity on the part of a local unit of government. For example, West Branch Township funded a \$1.4 million water system bond issue. Interestingly enough, the township needed the County Board to pledge its “full, faith, and credit” to acquire these bond proceeds.

While such infrastructure debt is “booked” to the County of Ogemaw, they are only included until such time as the bonds are paid off. At the time of the bond/note payoff, the title will transfer to the local units and the infrastructure assets will be removed from the County’s statement of net assets.

At year’s end, long-term debt (due in more than one year) amounted to \$1,770,542. Such debt includes *Notes Payable*, *Bonds Payable* (Primary Government) and *Compensated Absences*. That is, accumulated vested vacation benefits payable and contingent liability for the accumulated sick leave benefits of its employees.

Economic Factors

Ogemaw County has realized significant growth in the last ten years. It has been cited in the list of *Fastest Growing Counties in Northern Michigan*. It is uniquely situated in Northeast Lower Michigan which is a tourist haven abounding in streams, lakes, forests, beaches, retail trade and myriad tourist-related activity.

The County faces a dualistic challenge. On the one hand, it is historically confronted with the highest regional unemployment statistics, high illiteracy and low newborn birth weights, as well as, the exodus of its young adult population due to insufficient economic opportunity. Lower investment earnings and tentative state and federal economies further challenge its populace.

On the other hand, Ogemaw County is reaping the benefits of the migration north of southern Michigan’s residents. This population migration has resulted in increasing land values and the subsequent increase of the county’s property tax base. Small manufacturing plants, outlet retail trade stores, and “big box” enterprise are leading the way for continued development. With few major manufacturing concerns to fall back on during economic recession, the county must rely on its mainstay economic activities of tourism, agriculture, and local government along with its service and retail trade.

County budgetary operations will continue to experience the effect of the interplay between the positive and negative aspects of this northern Michigan rural area. Increasingly, extra-voted millage proposals may be the tool of last resort to fund county services.

Component Units

Complete financial statements for the Ogemaw County Road Commission may be obtained from the Ogemaw County Road Commission’s administrative office located at 1250 South M-33, West Branch, Michigan 48661.

Complete financial statements for the Ogemaw County Public Transit may be obtained from the Ogemaw County Treasurer’s office located at 806 West Houghton Avenue, West Branch, Michigan 48661.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ogemaw County Clerk, 806 W. Houghton Avenue, West Branch, Michigan 48661.

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF NET ASSETS
December 31, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Road Commission	Ogemaw County Public Transit
<u>Assets</u>					
Cash and cash equivalents (Note 2)	\$ 2,649,393	\$ 265,517	\$ 2,914,910	\$ 1,568,182	\$ 235,496
Investments (Note 2)	1,154,601	0	1,154,601	0	0
Receivables:					
Taxes	4,244,775	522,220	4,766,995	0	0
Special assessments receivable	14,237	0	14,237	0	0
Accounts, net	36,679	195,972	232,651	4,398	7,140
Loan receivable (Note 1)	50,000	0	50,000	0	0
Note receivable (Note 1)	6,685	0	6,685	0	0
Due from local units	445,214	85,860	531,074	55,365	5,521
Due from component units (Note 5)	8,188	0	8,188	0	0
Due from other governments	195,040	0	195,040	583,883	60,082
Internal balances	11,449	(11,449)	0	0	0
Prepaid expenses	7,115	0	7,115	0	22,920
Inventory	0	0	0	490,264	0
Long-term mortgages receivable (Note 1)	1,565,364	0	1,565,364	0	0
Long-term note receivable (Note 1)	45,737	0	45,737	0	0
Capital assets, net (Note 6)	7,335,681	187,188	7,522,869	6,963,378	334,382
Total Assets	<u>17,770,158</u>	<u>1,245,308</u>	<u>19,015,466</u>	<u>9,665,470</u>	<u>665,541</u>
<u>Liabilities</u>					
Accounts payable	352,645	900	353,545	39,613	12,858
Deposits payable	559	0	559	2,500	0
Accrued liabilities	0	0	0	23,589	6,801
Due to primary government (Note 5)	0	0	0	0	10,099
Due to local units	201,077	9,626	210,703	0	0
Due to other governments	15,010	493	15,503	1,454	0
Advances payable	62,000	0	62,000	161,613	0
Deferred revenue	2,705,261	608,080	3,313,341	151,269	0
Long-term liabilities:					
Due within one year (Note 7)	652,177	27,509	679,686	70,000	0
Due in more than one year (Note 7)	1,076,259	14,597	1,090,856	559,916	11,815
Total Liabilities	<u>5,064,988</u>	<u>661,205</u>	<u>5,726,193</u>	<u>1,009,954</u>	<u>41,573</u>
<u>Net Assets</u>					
Investment in capital assets, net of related debt	6,334,318	159,679	6,493,997	6,543,378	334,382
Restricted for:					
Debt service	88,195	0	88,195	0	0
Capital projects	94,999	0	94,999	0	0
County road	0	0	0	2,112,138	0
Unrestricted	6,187,658	424,424	6,612,082	0	289,586
Total Net Assets	<u>\$ 12,705,170</u>	<u>\$ 584,103</u>	<u>\$ 13,289,273</u>	<u>\$ 8,655,516</u>	<u>\$ 623,968</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

Function/Program	Net (Expense) Revenue and Changes in Net Assets							
	Program Revenues				Primary Government			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Road Commission Ogemaw County Public Transit
Primary Government:								
Governmental activities:								
General government:								
Legislative and executive	\$ 116,772	\$ 2,015	\$ 0	\$ 0	\$ (114,757)	\$ 0	\$ (114,757)	
Judicial:								
Circuit court	279,096	16,172	32,984	0	(229,940)	0	(229,940)	
District court	592,368	656,986	45,724	0	110,342	0	110,342	
Probate court	462,754	38,019	147,513	0	(277,222)	0	(277,222)	
Other judicial	282,172	60,827	398,719	0	177,374	0	177,374	
Financial and tax administration	622,988	340,389	0	0	(282,599)	0	(282,599)	
Other general government	1,591,962	270,155	362,006	28,394	(931,407)	0	(931,407)	
Public safety:								
Building and zoning	269,190	323,683	0	0	54,493	0	54,493	
Jail	852,976	110,013	0	15,000	(727,963)	0	(727,963)	
Sheriff	933,180	51,266	0	0	(881,914)	0	(881,914)	
Other public safety	942,040	296,686	330,168	0	(315,186)	0	(315,186)	
Public works:								
Airport	126,126	428	0	257,455	131,757	0	131,757	
Other public works	61,737	0	56,541	0	(5,196)	0	(5,196)	
Health and welfare:								
Probate child care	1,095,263	22,927	417,923	0	(654,413)	0	(654,413)	
Other health and welfare	870,737	0	572,205	0	(298,532)	0	(298,532)	
Community and economic development	278,926	19,427	66,928	0	(192,571)	0	(192,571)	
Interest on long-term debt	76,022	0	0	0	(76,022)	0	(76,022)	
Total governmental activities	<u>9,454,309</u>	<u>2,208,993</u>	<u>2,430,711</u>	<u>300,849</u>	<u>(4,513,756)</u>	<u>0</u>	<u>(4,513,756)</u>	
Business-type activities:								
Emergency medical services	1,348,991	902,360	0	0	0	(446,631)	(446,631)	
County park	22,883	24,473	0	0	0	1,590	1,590	
Homestead audit	160	4,496	0	0	0	4,336	4,336	
Total business-type activities	<u>1,372,034</u>	<u>931,329</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(440,705)</u>	<u>(440,705)</u>	
Total primary government	<u>\$ 10,826,343</u>	<u>\$ 3,140,322</u>	<u>\$ 2,430,711</u>	<u>\$ 300,849</u>	<u>(4,513,756)</u>	<u>(440,705)</u>	<u>(4,954,461)</u>	

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

Function/Program						Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Road Commission	Ogemaw County Public Transit
<u>Component Units:</u>									
Road Commission	\$ 3,189,149	\$ 602,775	\$ 0	\$ 4,995,304				\$ 2,408,930	\$ 0
Public Transit	572,491	70,809	237,272	18,878				0	(245,532)
Total component units	<u>\$ 3,761,640</u>	<u>\$ 673,584</u>	<u>\$ 237,272</u>	<u>\$ 5,014,182</u>				<u>2,408,930</u>	<u>(245,532)</u>
<u>General Revenues:</u>									
Property taxes levied for:									
General operating					\$ 5,263,206	\$ 0	\$ 5,263,206	0	0
Emergency medical services					0	584,617	584,617	0	0
Public Transit					0	0	0	0	112,496
Payment in lieu of taxes					4,915	0	4,915	0	0
State revenue sharing					205,840	3,184	209,024	0	0
Rent income					0	0	0	0	16,008
Investment earnings					257,678	3,813	261,491	21,577	2,448
Gain on equipment disposal					0	0	0	33,610	3,313
Other					142,234	0	142,234	8,966	0
Transfers					4,327	(4,327)	0	0	0
Total general revenues and transfers					<u>5,878,200</u>	<u>587,287</u>	<u>6,465,487</u>	<u>64,153</u>	<u>134,265</u>
Change in net assets					1,364,444	146,582	1,511,026	2,473,083	(111,267)
Net assets - beginning of year					<u>11,340,726</u>	<u>437,521</u>	<u>11,778,247</u>	<u>6,182,433</u>	<u>735,235</u>
Net assets - end of year					<u>\$ 12,705,170</u>	<u>\$ 584,103</u>	<u>\$ 13,289,273</u>	<u>\$ 8,655,516</u>	<u>\$ 623,968</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

	<u>General</u>	<u>Housing Commission</u>	<u>Probate Child Care</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents (Note 2)	\$ 260,411	\$ 56,836	\$ 0	\$ 589,290	\$ 906,537
Investments (Note 2)	0	0	0	9,260	9,260
Receivables:					
Taxes	2,686,321	0	0	1,179,035	3,865,356
Special assessments	0	0	0	14,237	14,237
Accounts, net	7,351	23,550	0	3,737	34,638
Loan receivable (Note 1)	50,000	0	0	0	50,000
Note receivable (Note 1)	0	0	0	6,685	6,685
Due from local units	20,065	0	12,066	3,692	35,823
Due from component units (Note 5)	8,188	0	0	0	8,188
Due from state	44,970	28,780	5,346	157,062	236,158
Due from federal	20,833	0	0	49	20,882
Due from other funds (Note 5)	61,387	0	0	23,952	85,339
Prepaid expenses	0	0	0	7,115	7,115
Long-term mortgages receivable (Note 1)	0	1,565,364	0	0	1,565,364
Long-term note receivable (Note 1)	0	0	0	45,737	45,737
Total Assets	<u>\$ 3,159,526</u>	<u>\$ 1,674,530</u>	<u>\$ 17,412</u>	<u>\$ 2,039,851</u>	<u>\$ 6,891,319</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Accounts payable	\$ 167,386	\$ 0	\$ 183,737	\$ 0	\$ 351,123
Deposits payable	0	559	0	0	559
Due to local units	35,303	0	0	0	35,303
Due to state	0	2,259	0	0	2,259
Due to other funds (Note 5)	144,171	8	42,078	40,110	226,367
Advances from state	0	0	0	62,000	62,000
Deferred revenue (Note 4)	2,686,409	1,594,145	6,697	106,564	4,393,815
Total liabilities	<u>3,033,269</u>	<u>1,596,971</u>	<u>232,512</u>	<u>208,674</u>	<u>5,071,426</u>
Fund Equity					
Fund balances (deficit):					
Reserved for:					
Legal costs	25,677	0	0	0	25,677
Debt service	0	0	0	88,195	88,195
Capital projects	0	0	0	94,999	94,999
Unreserved, reported in:					
General fund	100,580	0	0	0	100,580
Special revenue funds (deficit)	0	77,559	(215,100)	1,647,983	1,510,442
Total fund equity (deficit)	<u>126,257</u>	<u>77,559</u>	<u>(215,100)</u>	<u>1,831,177</u>	<u>1,819,893</u>
Total Liabilities and Fund Equity	<u>\$ 3,159,526</u>	<u>\$ 1,674,530</u>	<u>\$ 17,412</u>	<u>\$ 2,039,851</u>	<u>\$ 6,891,319</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2004

Total governmental fund balances		\$ 1,819,893
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Capital asset cost	\$ 12,917,177	
Capital asset accumulated depreciation	<u>(5,581,496)</u>	
		7,335,681
Other long-term assets not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:		
Accounts receivable	6,698	
Grants receivable	2,070	
Mortgages receivable	1,565,364	
Notes receivable	<u>52,422</u>	
Net difference		1,626,554
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Notes payable	(46,363)	
Bonds payable	(955,000)	
Compensated absences payable	<u>(196,073)</u>	
Total long-term liabilities		(1,197,436)
Some amounts reported for governmental activities in the statement of net assets are different because the internal service funds assets and liabilities are included with governmental activities.		
		<u>3,120,478</u>
Total net assets - governmental activities		<u>\$ 12,705,170</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2004

	General	Housing Commission	Probate Child Care	Other Governmental Funds	Total Governmental Funds
<u>Revenue</u>					
Taxes	\$ 3,924,960	\$ 0	\$ 0	\$ 1,371,555	\$ 5,296,515
Federal grants	262,804	18,620	60,749	331,442	673,615
State grants and revenue	968,402	0	348,174	610,763	1,927,339
Contributions from local units	0	0	0	400,305	400,305
Charges for services	1,454,393	0	0	111,906	1,566,299
Licenses and permits	339,846	0	0	0	339,846
Interest and rentals	61,917	352	0	29,795	92,064
Fines and forfeits	27,589	0	0	5,767	33,356
Other revenue	55,025	104,766	31,927	161,338	353,056
Total revenue	<u>7,094,936</u>	<u>123,738</u>	<u>440,850</u>	<u>3,022,871</u>	<u>10,682,395</u>
<u>Expenditures</u>					
Current:					
Legislative and executive	122,373	0	0	0	122,373
Judicial	1,356,485	0	0	264,366	1,620,851
General government	1,956,038	0	0	53,629	2,009,667
Public safety	2,548,019	0	0	383,883	2,931,902
Public works	29,389	0	0	99,215	128,604
Health and welfare	362,734	0	1,095,263	507,493	1,965,490
Community and economic development	59,203	167,454	0	72,074	298,731
Capital outlay	58,404	0	8,158	278,667	345,229
Debt service:					
Principal	14,929	0	0	359,817	374,746
Interest and fiscal charges	2,029	0	0	66,190	68,219
Total expenditures	<u>6,509,603</u>	<u>167,454</u>	<u>1,103,421</u>	<u>2,085,334</u>	<u>9,865,812</u>
Excess of revenue over (under) expenditures	<u>585,333</u>	<u>(43,716)</u>	<u>(662,571)</u>	<u>937,537</u>	<u>816,583</u>
Other Financing Sources (Uses):					
Operating transfers in	258,453	0	767,715	377,892	1,404,060
Operating transfers out	(1,072,962)	0	0	(236,771)	(1,309,733)
Total other financing sources (uses)	<u>(814,509)</u>	<u>0</u>	<u>767,715</u>	<u>141,121</u>	<u>94,327</u>
Excess of revenue and other sources over (under) expenditures and other uses	(229,176)	(43,716)	105,144	1,078,658	910,910
Fund balances (deficit) - beginning of year	<u>355,433</u>	<u>121,275</u>	<u>(320,244)</u>	<u>752,519</u>	<u>908,983</u>
Fund balances (deficit) - end of year	<u>\$ 126,257</u>	<u>\$ 77,559</u>	<u>\$ (215,100)</u>	<u>\$ 1,831,177</u>	<u>\$ 1,819,893</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

Total net change in fund balances - governmental funds \$ 910,910

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Current year depreciation expense	\$ (291,586)	
Capital assets reported as capital outlays in the governmental funds	<u>345,229</u>	
Net difference		53,643

Loss on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, it is not reported as expenditures in the Governmental Funds.

Cost of the assets sold	(121,412)	
Accumulated depreciation of assets sold	<u>79,533</u>	
Net difference		(41,879)

Principal repayments on capital leases, notes and bonds are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The amount of repayments reported as expenditures in the governmental funds consist of:

Capital leases	14,929	
Notes payable	9,817	
Bonds payable	<u>350,000</u>	
Net difference		374,746

Some revenue reported in the statement of activities does not meet availability requirements for current financial resources, and, therefore, is not reported as revenue in the governmental funds:

Accounts receivable	(14,339)	
Grants receivable	(52,932)	
Long-term mortgages receivable	(86,178)	
Long-term note receivable	<u>52,422</u>	
Net difference		(101,027)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net change in accrued compensated absences:		
Accrued compensated absences December 31, 2003	206,966	
Accrued compensated absences December 31, 2004	<u>(196,073)</u>	
Net change		10,893

Some amounts reported for governmental activities in the statement of net assets are different because the internal service funds revenue and expenses are included with governmental activities.

157,158

Change in net assets of governmental activities	<u>\$ 1,364,444</u>
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The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
December 31, 2004

	Enterprise Funds			
	Major Fund			
	Emergency Medical Services	Other Enterprise Funds	Total	Internal Service Funds
<u>Assets</u>				
Cash and cash equivalents (Note 2)	\$ 238,418	\$ 27,099	\$ 265,517	\$ 1,742,856
Investments	0	0	0	1,145,341
Receivables:				
Taxes	522,220	0	522,220	781,810
Accounts, net	195,972	0	195,972	2,041
Due from local units	0	0	0	7,000
Due from other funds (Note 5)	89,752	0	89,752	613
Capital assets, net (Note 6)	178,624	8,564	187,188	0
Total Assets	1,224,986	35,663	1,260,649	3,679,661
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	900	0	900	1,522
Due to local units	0	9,626	9,626	0
Due to other governments	0	0	0	6,151
Due to state	0	493	493	6,600
Due to other funds (Note 5)	15,341	0	15,341	13,910
Deferred revenue	608,080	0	608,080	0
Notes payable, current (Note 7)	27,509	0	27,509	531,000
Total current liabilities	651,830	10,119	661,949	559,183
Noncurrent liabilities:				
Compensated absences	14,597	0	14,597	0
Total Liabilities	666,427	10,119	676,546	559,183
<u>Net Assets</u>				
Investment in capital assets, net of related debt	151,115	8,564	159,679	0
Unrestricted	407,444	16,980	424,424	3,120,478
Total Net Assets	\$ 558,559	\$ 25,544	\$ 584,103	\$ 3,120,478

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
For the Year Ended December 31, 2004

	Enterprise Funds			
	Major Fund			
	Emergency Medical Services	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenue:				
User fees	\$ 891,619	\$ 24,473	\$ 916,092	\$ 0
Tax collection fees	0	4,496	4,496	82,537
Interest and penalties on taxes	0	0	0	163,202
Other revenue	10,741	0	10,741	0
Total operating revenue	902,360	28,969	931,329	245,739
Operating Expenses:				
Salaries and wages	692,147	1,160	693,307	0
Fringe benefits	271,973	0	271,973	0
Contractual services	89,598	3,660	93,258	6,509
Administrative costs	27,655	0	27,655	9,231
Gasoline and oil	32,442	95	32,537	0
Insurance	50,105	0	50,105	0
Operating supplies	29,861	1,968	31,829	0
Professional fees and services	107	4,692	4,799	0
Property taxes	0	1,583	1,583	0
Rent	34,250	0	34,250	0
Repair and maintenance	33,891	2,680	36,571	0
Travel and training	2,176	313	2,489	0
Utilities	3,555	6,362	9,917	0
Depreciation	74,322	530	74,852	0
Other	5,338	0	5,338	12,348
Total operating expenses	1,347,420	23,043	1,370,463	28,088
Operating income (loss)	(445,060)	5,926	(439,134)	217,651
Nonoperating Revenue (Expenses):				
Taxes	584,617	0	584,617	0
State revenue	3,184	0	3,184	0
Interest earned on investments	3,813	0	3,813	40,202
Interest and fees expense	(1,571)	0	(1,571)	(10,695)
Total nonoperating revenue (expenses)	590,043	0	590,043	29,507
Income before operating transfers	144,983	5,926	150,909	247,158
Operating transfers out	0	(4,327)	(4,327)	(90,000)
Change in net assets	144,983	1,599	146,582	157,158
Net assets - beginning of year	413,576	23,945	437,521	2,963,320
Net assets - end of year	\$ 558,559	\$ 25,544	\$ 584,103	\$ 3,120,478

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
For the Year Ended December 31, 2004

	Enterprise Funds			
	Major Fund			
	Emergency Medical Services	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Receipts from customers and taxpayers	\$ 865,204	\$ 39,088	\$ 904,292	\$ 244,640
Payments for operating expenses	(1,271,888)	(22,513)	(1,294,401)	(26,982)
Delinquent taxes collected	0	0	0	7,575
Net cash provided (used) by operating activities	(406,684)	16,575	(390,109)	225,233
Cash Flows From Non-Capital Financing Activities:				
Property taxes received	583,132	0	583,132	0
State revenue received	3,184	0	3,184	0
Operating subsidies and transfers from (to) other funds	16,826	(4,327)	12,499	(90,000)
Net cash provided (used) by non-capital financing activities	603,142	(4,327)	598,815	(90,000)
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	(67,801)	0	(67,801)	0
Proceeds received on notes	0	0	0	1,200,000
Principal paid on notes payable	(32,190)	0	(32,190)	(790,000)
Interest and fees paid on notes payable	(1,571)	0	(1,571)	(10,695)
Net cash provided (used) by capital and related financing activities	(101,562)	0	(101,562)	399,305
Cash Flows From Investing Activities:				
Redemption (purchase) of investment securities	0	0	0	(845,341)
Interest earned	3,813	0	3,813	40,202
Net cash provided (used) by investing activities	3,813	0	3,813	(805,139)
Net increase (decrease) in cash and cash equivalents	98,709	12,248	110,957	(270,601)
Cash and cash equivalents at beginning of year	139,709	14,851	154,560	2,013,457
Cash and cash equivalents at end of year	\$ 238,418	\$ 27,099	\$ 265,517	\$ 1,742,856
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (445,060)	\$ 5,926	\$ (439,134)	\$ 217,651
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	74,322	530	74,852	0
Change in assets and liabilities:				
Accounts receivable, net	(37,156)	0	(37,156)	7,802
Accounts and other payables	900	10,119	11,019	(220)
Accrued expenses	310	0	310	0
Net cash provided (used) by operating activities	\$ (406,684)	\$ 16,575	\$ (390,109)	\$ 225,233

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
December 31, 2004

	Trust and Agency	Library Penal Fines	Inmate Trust Fund
<u>ASSETS</u>			
Cash and cash equivalents (Note 2)	\$ 493,604	\$ 121,455	\$ 6,095
Accounts receivable	1,811	0	0
Due from local units	28	0	0
Due from other funds (Note 5)	<u>180,192</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 675,635</u>	<u>\$ 121,455</u>	<u>\$ 6,095</u>
<u>LIABILITIES</u>			
Due to local units	\$ 5,129	\$ 0	\$ 5,414
Due to state	137,056	0	0
Due to other agencies and individuals	28,004	121,455	681
Due to other funds (Note 5)	100,278	0	0
Undistributed tax collections	<u>405,168</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 675,635</u>	<u>\$ 121,455</u>	<u>\$ 6,095</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Ogemaw conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Private-sector standards of accounting issued after November 30, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies.

A. Description of County Operations and Fund Types

The County of Ogemaw, (the County), was organized in 1875 and covers an area of 624 square miles divided into 14 townships, 1 village and 2 cities. The County seat is located in the City of West Branch. The County operates under a seven member elected Board of Commissioners and provides services to its more than 19,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, board, and agencies that are not legally separate from the County.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs of services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt, or the levying of taxes.

1. Component Units

The component unit columns on the combined financial statements include the financial data of the County's component units. They are reported in separate columns to emphasize that they are legally separate from the County.

a. Governmental Activity and Fund Type Component Unit:

The Ogemaw County Road Commission - The governing body of this component unit is elected by the residents of the County of Ogemaw. The Road Commission was established to control the expenditures of Michigan Transportation Fund money distributed to the County which is earmarked by law for street and highway construction and repair purposes. Complete financial statements for the Ogemaw County Road Commission can be obtained from the Ogemaw County Road Commission's administrative office located at 1250 South M-33, West Branch, Michigan 48661.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

b. Business-Type Activity and Proprietary Fund Type Component Unit:

The Ogemaw County Public Transit - The Public Transit was established to provide transportation services to the residents of the County. The intent of the governing body is that the costs of providing these services are financed primarily through user charges. The public transit uses a September 30, 2004 year end which is what is presented in these financial statements. Complete financial statements for the Ogemaw County Public Transit can be obtained from the Ogemaw County Treasurer's office located at 806 West Houghton, West Branch, Michigan 48661.

C. Joint Venture

The County has entered into a joint venture with other surrounding counties as follows:

AuSable Valley Community Mental Health Services Board

Ogemaw County, along with Iosco and Oscoda Counties, contributes to the AuSable Valley Community Mental Health Services Board. This Board operates autonomously under an appointed board (12 members) and provides services to residents in these counties under a full management contract with the Michigan Department of Mental Health. Ogemaw County's 2004 contribution to the AuSable Valley Community Mental Health Services Board was \$54,683. On dissolution of the Mental Health Services Board, the net assets of the Board will be shared by each county in proportion to each county's total economic contribution since the existence of the Board. The Mental Health Board deposits their receipts with the Iosco County Treasurer, is part of Iosco County's common bank account and has investments through the County. At September 30, 2004, the Mental Health Board had total net assets of \$2,022,060. Complete financial statements for the AuSable Valley Community Mental Health Services Board can be obtained from the Mental Health Services Board's administrative offices at 1199 Harris, Tawas City, Michigan 48763.

District Health Department No. 2

Ogemaw County, along with Alcona, Iosco and Oscoda Counties, contributes to the District Health Department No. 2. This Board operates autonomously under an appointed board and provides various health services to residents of the above aforementioned counties. The funding formula is based prorata on each unit's population and equalized valuation to the District's total population and valuations. Ogemaw County's 2004 contribution to the District Health Department No. 2 was \$123,387. The District Health Department No. 2 deposits their receipts with the Ogemaw County Treasurer through the common cash bank account. At September 30, 2004, the District Health Department No. 2 had total net assets of \$812,764. Complete financial statements for the District Health Department No. 2 can be obtained from the District's administrative offices at 630 Progress Street, West Branch, Michigan 48661.

D. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government and its component units except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

E. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

Governmental Funds (Continued)

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenue.

Housing Fund – This fund accounts for federal, state and local funding used to obtain financing and construct or rehabilitate low income housing for qualified Ogemaw County residents.

Probate Child Care Fund – This fund accounts for revenue restricted for the foster care of children through the Circuit Court Family Division and the County Department of Human Services.

The other governmental funds of the County account for grants and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt; and the acquisition or construction of major capital facilities.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

The County's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the County's major enterprise fund:

Emergency Medical Services Fund – This fund accounts for fees collected for ambulance services provided in the County and a county-wide property tax levy.

Internal Service Funds - These funds are used to record the financing of services provided by the local unit to other departments and funds, to other governmental units on a cost reimbursement basis. The County uses these funds to account for delinquent property tax collections.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The County's agency funds account for assets held by the County for political subdivisions in which the County acts as fiscal agent for taxes, state-levied shared revenues, and fines and forfeitures collected and distributed to other political subdivisions.

F. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the County are included on the statement of net assets.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus (Continued)

Fund Financial Statements (Continued)

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and enterprise fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty days after year end.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), grants, interest, and rent.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2004, but were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Budgets and Budgetary Accounting

The County normally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the departments submit to the Board of Commissioners a proposed departmental operating budget for the fiscal year commencing the following January 1. This operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Budgets and Budgetary Accounting (Continued)

3. Prior to January 1, the budget is legally enacted through passage of an ordinance.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Board of Commissioners throughout the operating year.

The County adopts budgets for the General Fund and Special Revenue Funds.

The budgets of the County are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

The legal level of control is at the activity level for the General Fund, and at fund expenditure totals for the Special Revenue Funds.

The County Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the County Board of Commissioners. The financial statements include budgetary amounts as amended.

I. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

J. Accounts Receivables

Receivables at December 31, 2004, consist of accounts (fees), sales taxes, shared revenues, property taxes, mortgage receivable, special assessments and intergovernmental grants and interest. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectibility. Using this criteria, the County has elected to not record child support arrearages in the agency funds. These amounts, while potentially significant, are not considered measurable, and because collections are significantly in arrears, the County is unable to determine a reasonable value.

All receivables are shown net of the allowance for uncollectible amounts. The balances consist primarily of EMS receivables due from various insurance companies.

The allowance for doubtful accounts at December 31, 2004 was \$27,873 for the primary government and \$0 for the component units.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Receivables and Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

M. Inventory

Inventory is presented at cost on a first-in, first-out method of accounting and is expensed when used. Inventory consists of expendable supplies held for consumption.

Road Commission inventories are charged to road construction, maintenance, equipment repairs, and operations as used. No other County inventories have been recognized in the financial statements as they are not material and have been expensed when purchased.

N. Loan Receivable

Loan receivable represents an interest-free loan to the Ogemaw Commission on Aging. The loan was paid back in full in the year ending December 31, 2005.

O. Long-Term Mortgages

Long-term mortgages represent amounts due from individuals for housing loans and grants received, and are reported at their gross value.

P. Long-Term Note Receivable

Long-term note receivable represents a loan made by the County of Ogemaw Economic Development Corporation in the amount of \$50,000 due in monthly installments of \$850 including interest at the rate of 11% through February 1, 2011. The note includes accrued interest of \$2,422 at December 31, 2004.

Q. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)Q. Capital Assets (Continued)

Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The County's infrastructure consists of roads, bridges, dams, and water and sewer lines. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 years
Dams	50 years
Radio Towers	10 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

R. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than six months of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the County has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration limits specified in the County's termination policy. The County records a liability for sick leave earned at varying rates depending on County policy.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "accrued compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from the governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

T. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

U. Governmental Fund Balance Reserves

The County reserves those portions of governmental fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for future general fund legal expenses.

V. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the County, these revenues are charges for services for EMS runs and camping at the County Park. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

W. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)X. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Y. Combined FIA Funds

The Family Independence Agency (FIA) Fund includes activity for both Ogemaw and Roscommon Counties. Roscommon County's portion of revenues was \$72,656 and expenditures was \$247,345.

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	\$ 2,649,393	\$ 265,517	\$ 621,154	\$ 3,536,064	\$ 1,803,678
Investments	<u>1,154,601</u>	<u>0</u>	<u>0</u>	<u>1,154,601</u>	<u>0</u>
	<u>\$ 3,803,994</u>	<u>\$ 265,517</u>	<u>\$ 621,154</u>	<u>\$ 4,690,665</u>	<u>\$ 1,803,678</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 1,550,762	\$ 946,353
Investments in Securities, Mutual Funds and Similar Vehicles	3,133,303	857,075
Petty Cash and Cash on Hand	<u>6,600</u>	<u>250</u>
Total	<u>\$ 4,690,665</u>	<u>\$ 1,803,678</u>

Deposits:

Deposits are carried at cost. Deposits of the County are held at various banks in the name of the County. At December 31, 2004, the carrying amounts of the County's deposits were classified to risk as follows:

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits: (Continued)

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 539,868	\$ 549,882
Uninsured – uncollateralized	<u>1,010,894</u>	<u>1,010,895</u>
Total primary government	<u>\$ 1,550,762</u>	<u>\$ 1,560,777</u>

At December 31, 2004, the carrying amounts of the component units' deposits were classified to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 131,258	\$ 147,545
Uninsured – uncollateralized	<u>815,095</u>	<u>815,095</u>
Total component units	<u>\$ 946,353</u>	<u>\$ 962,640</u>

Investments:

The County Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the County to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks
- * Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- * Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The County's deposits and investments are in accordance with statutory authority.

The County's investments are categorized to give an indication of the level of risk assumed by the County at December 31, 2004. The categories are described as follows:

Category 1 - Insured or registered, with securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments: (Continued)

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

Investments, categorized by level of risk, are:

<u>Types of Investments</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Primary Government:					
Commercial Paper	\$ 0	\$ 845,341	\$ 0	\$ 845,341	\$ 845,341
Federal Home Loan Bank Bonds	0	300,000	0	300,000	300,000
Mutual Funds	<u>0</u>	<u>1,593</u>	<u>0</u>	1,593	1,593
	<u>\$ 0</u>	<u>\$1,146,934</u>	<u>\$ 0</u>		

Nonrisk - Categorized

Financial institution pooled funds	<u>1,986,369</u>	<u>2,236,428</u>
Total primary government	<u>\$ 3,133,303</u>	<u>\$ 3,383,362</u>

Component Units:

Nonrisk - Categorized

Financial institution pooled funds	<u>\$ 857,075</u>	<u>\$ 857,075</u>
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The classification of cash and cash equivalents and investments on the balance sheet/statement of net assets is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,536,064	\$ 1,154,601	\$ 1,803,678	\$ 0
Petty cash	(6,600)	0	(250)	0
Certificate of deposit maturing in greater than 90 days	9,260	(9,260)	0	0
Mutual funds	(1,593)	1,593	0	0
Financial institution pooled funds	<u>(1,986,369)</u>	<u>1,986,369</u>	<u>(857,075)</u>	<u>857,075</u>
GASB Statement No. 3	<u>\$ 1,550,762</u>	<u>\$ 3,133,303</u>	<u>\$ 946,353</u>	<u>\$ 857,075</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 3 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the County. Property taxes become an enforceable lien on property as of December 1. Taxes are levied on December 1, and are payable by February 28. The cities and townships within the County bill and collect the property taxes for the County. County taxes levied December 1, 2004, are collected in and are intended to finance 2005 operations. The taxable value of real and personal property for the December 1, 2004 levy was \$665,491,910. The 2004 operating tax rate is currently 6.2163 mills for operations, .9374 mills for EMS, .0500 mills for veterans and .1817 mills for public transit.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2003. These receivables are pledged for payment of general obligation limited tax notes, proceeds of which were used to liquidate the amounts due the General Fund and various other funds and governmental agencies for purchase of the receivables. Subsequent collections on delinquent taxes receivable, plus interest and collection fees thereon and investment earnings, are used to service the tax notes. This activity is recorded in the Delinquent Tax Revolving Funds, which are Internal Service Funds.

NOTE 4 - DEFERRED REVENUE

Governmental funds report deferred revenues in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Real and Personal Property Taxes	\$ 0	\$ 2,686,409	\$ 2,686,409
Mortgages Receivable	1,565,364	0	1,565,364
Note Receivable	52,422	0	52,422
Due From Local Units	6,697	0	6,697
Special Assessments	15,409	0	15,409
Grant Drawdowns Prior to Meeting all Eligibility Requirements	<u>0</u>	<u>67,514</u>	<u>67,514</u>
Total	<u>\$ 1,639,892</u>	<u>\$ 2,753,923</u>	<u>\$ 4,393,815</u>

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of December 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 61,387	\$ 144,171
Housing Commission	0	8
Probate Child Care	<u>0</u>	<u>42,078</u>
Total Major Governmental Funds	61,387	186,257
Non-major Governmental Funds	23,952	40,110
Major Enterprise Fund:		
Emergency Medical Services	89,752	15,341
Internal Service Funds	613	13,910
Fiduciary Funds	<u>180,192</u>	<u>100,278</u>
	<u>\$ 355,896</u>	<u>\$ 355,896</u>

The amounts of interfund receivables and payables for individual funds as of December 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
<u>Primary Government</u>		<u>Primary Government</u>	
General Fund	\$ 8	Housing Commission	\$ 8
General Fund	1,221	Probate Child Care	1,221
General Fund	3,133	Friend of the Court	3,133
General Fund	13,100	Department of Human Services	13,100
General Fund	6,277	911 Service Fund	6,277
General Fund	7,600	Flowage Lake Dam Fund	7,600
General Fund	15,341	Emergency Medical Services	15,341
General Fund	13,297	Umbrella Fund	13,297
General Fund	1,410	Trust and Agency	1,410
Friend of the Court	944	General Fund	944
Friend of the Court	13,008	Trust and Agency	13,008
Drain Revolving Fund	10,000	Flowage Lake Dam Fund	10,000
Emergency Medical Services	3,892	General Fund	3,892
Emergency Medical Services	85,860	Trust and Agency	85,860
Tax Administration Fund	8	2000 Delinquent Tax Revolving Fund	8
Tax Administration Fund	167	2001 Delinquent Tax Revolving Fund	167
Tax Administration Fund	438	2002 Delinquent Tax Revolving Fund	438
Trust and Agency	139,335	General Fund	139,335
Trust and Agency	<u>40,857</u>	Probate Child Care	<u>40,857</u>
Total primary government	<u>\$ 355,896</u>		<u>\$ 355,896</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

<u>Due from Component Unit</u>		<u>Due to Primary Government</u>	
General Fund	\$ <u>8,188*</u>	Public Transit	\$ <u>10,099*</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

*The Due from Primary Government and Due to Component Unit do not agree due to different fiscal year ends between the County and Public Transit represented in the balances explained as follows:

General Fund account receivable due from Public Transit at December 31, 2004	\$ <u>8,188*</u>	Public Transit account payable due to the County at September 30, 2004	\$ <u>10,099*</u>
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NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated :				
Land	\$ 844,975	\$ 0	\$ 0	\$ 844,975
Construction in Progress	<u>140,220</u>	<u>257,762</u>	<u>140,220</u>	<u>257,762</u>
Subtotal	<u>985,195</u>	<u>257,762</u>	<u>140,220</u>	<u>1,102,737</u>
Capital Assets Being Depreciated :				
Buildings	4,025,040	140,998	121,412	4,044,626
Improvements Other Than Buildings	959,787	0	0	959,787
Machinery and Equipment	1,339,191	35,546	0	1,374,737
Vehicles and Boats	715,092	51,143	36,090	730,145
Infrastructure	<u>4,705,145</u>	<u>0</u>	<u>0</u>	<u>4,705,145</u>
Subtotal	<u>11,744,255</u>	<u>227,687</u>	<u>157,502</u>	<u>11,814,440</u>

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 6 - CAPITAL ASSETS (CONTINUED)

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less Accumulated Depreciation for:				
Buildings	\$ 2,047,574	\$ 75,372	\$ 79,533	\$ 2,043,413
Improvements Other Than Buildings	95,980	19,196	0	115,176
Machinery and Equipment	1,109,418	42,509	0	1,151,927
Vehicles and Boats	544,070	57,234	36,090	565,214
Infrastructure	<u>1,608,491</u>	<u>97,275</u>	<u>0</u>	<u>1,705,766</u>
Subtotal	<u>5,405,533</u>	<u>291,586</u>	<u>115,623</u>	<u>5,581,496</u>
Net Capital Assets Being Depreciated	<u>6,338,722</u>	<u>(63,899)</u>	<u>(41,879)</u>	<u>6,232,944</u>
Governmental Activities Total				
Capital Assets—Net of Depreciation	<u>\$ 7,323,917</u>	<u>\$ 193,863</u>	<u>\$ (182,099)</u>	<u>\$ 7,335,681</u>
 <u>Business-Type Activities</u>	 <u>Beginning Balance</u>	 <u>Increases</u>	 <u>Decreases</u>	 <u>Ending Balance</u>
Capital Assets Being Depreciated :				
Buildings	\$ 26,524	\$ 0	\$ 0	\$ 26,524
Machinery and Equipment	133,319	0	0	133,319
Vehicles and Boats	376,067	67,801	0	443,868
Infrastructure	<u>41,850</u>	<u>0</u>	<u>0</u>	<u>41,850</u>
Subtotal	<u>577,760</u>	<u>67,801</u>	<u>0</u>	<u>645,561</u>
Less Accumulated Depreciation for:				
Buildings	17,430	530	0	17,960
Machinery and Equipment	98,841	6,895	0	105,736
Vehicles and Boats	225,400	67,427	0	292,827
Infrastructure	<u>41,850</u>	<u>0</u>	<u>0</u>	<u>41,850</u>
Subtotal	<u>383,521</u>	<u>74,852</u>	<u>0</u>	<u>458,373</u>
Business-Type Activities Total				
Capital Assets—Net of Depreciation	<u>\$ 194,239</u>	<u>\$ (7,051)</u>	<u>\$ 0</u>	<u>\$ 187,188</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

General government:

Judicial:

Probate court \$ 3,510

Financial and tax administration 4,850

Other general government 161,751

Public safety:

Jail 27,181

Sheriff 32,186

Other public safety 3,711

Public works:

Airport 52,222

Other public works 6,175

Total Governmental Activities \$ 291,586

Business-Type Activities

EMS \$ 74,322

County park 530

Total Business-Type Activities \$ 74,852

Capital asset activity of the Road Commission for the current year is as follows:

	Balance 01/01/04	Additions	Deductions	Balance 12/31/04
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	<u>\$ 1,247,445</u>	<u>\$ 1,180,005</u>	<u>\$ 0</u>	<u>\$ 2,427,450</u>
Capital Assets Being Depreciated:				
Buildings	1,479,676	15,812	0	1,495,488
Equipment - road	4,306,735	548,577	361,719	4,493,593
Equipment - shop	114,329	3,775	0	118,104
Equipment - office	202,286	3,047	0	205,333
Equipment - engineer's	3,251	0	0	3,251
Infrastructure -- bridges	103	0	0	103
Infrastructure -- roads	<u>1,049,541</u>	<u>1,487,120</u>	<u>0</u>	<u>2,536,661</u>
Totals	<u>7,155,921</u>	<u>2,058,331</u>	<u>361,719</u>	<u>8,852,533</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	Balance 01/01/04	Additions	Deductions	Balance 12/31/04
Less Accumulated Depreciation:				
Buildings	\$ 526,043	\$ 46,411	\$ 0	\$ 572,454
Equipment - road	3,223,944	451,175	361,278	3,313,841
Equipment - shop	81,103	8,335	0	89,438
Equipment - office	110,789	20,688	0	131,477
Equipment - engineer's	2,579	340	0	2,919
Infrastructure -- bridges	4	4	0	8
Infrastructure -- roads	63,270	143,198	0	206,468
Total accumulated depreciation	<u>4,007,732</u>	<u>670,151</u>	<u>361,278</u>	<u>4,316,605</u>
Net Capital Assets Being Depreciated	<u>3,148,189</u>	<u>1,388,180</u>	<u>0</u>	<u>4,535,928</u>
Governmental Activities Total Capital Assets - Net of Depreciation	<u>\$ 4,395,634</u>	<u>\$ 2,568,185</u>	<u>\$ 441</u>	<u>\$ 6,963,378</u>

Depreciation expense was charged to programs of the Road Commission as follows:

County	
Direct equipment expense	\$ 451,175
Indirect equipment expense	52,084
Administrative expense	23,690
Infrastructure	<u>143,202</u>
Total Depreciation Expense	<u>\$ 670,151</u>

Depreciation expense was charged to programs of the Road Commission as follows:

A summary of the Ogemaw County Public Transit's capital assets, at September 30, 2004 follows:

	Balance 10/01/03	Additions	Deductions	Balance 09/30/04
<u>Business-Type Activities</u>				
Building	\$ 418,393	\$ 0	\$ 0	\$ 418,393
Vehicles	511,801	26,901	18,340	520,362
Equipment	75,799	4,025	0	79,824
Office Equipment	<u>65,404</u>	<u>2,389</u>	<u>0</u>	<u>67,793</u>
	1,071,397	33,315	18,340	1,086,372
Less accumulated depreciation	<u>687,710</u>	<u>82,620</u>	<u>18,340</u>	<u>751,990</u>
Business-Type Activities Capital Assets - Net	<u>\$ 383,687</u>	<u>\$ (49,305)</u>	<u>\$ 0</u>	<u>\$ 334,382</u>

Depreciation expense was charged in full to the Public Transit function.

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 7 - LONG-TERM DEBT

At December 31, 2004, long-term debt consists of the following individual issues:

	<u>Governmental</u>	<u>Business-Type</u>
<u>Primary Government:</u>		
A. Notes Payable:		
\$1,200,000 General Obligation Limited Tax Notes, dated June 1, 2004 used to pay all tax assessing units their pro rata share of the delinquent real property taxes, paid from 2003 Delinquent Tax Revolving Fund.	\$ 531,000	\$ 0
\$50,000 Note Payable to National City Bank for the construction of six t-hangers at the airport, due in monthly installments of \$890 including interest at the rate of 2.58% on the unpaid balance, paid from the Airport Fund	27,483	0
\$22,712 Note Payable to Dean Arbour Ford used to purchase a 2003 Ford Crown Victoria, due in monthly installments of \$707, including interest at the rate of 7.5% on the unpaid balance, paid from the General Fund.	9,440	0
\$22,712 Note Payable to Dean Arbour Ford used to purchase a 2003 Ford Crown Victoria, due in monthly installments of \$707, including interest at the rate of 7.5% on the unpaid balance, paid from the General Fund.	9,440	0
\$48,794 Note Payable to National City Bank used to purchase a 2002 Goggan Ambulance, due in monthly installments of \$1,428 including interest at the rate of 3.4% on the unpaid balance, paid from the Emergency Medical Services Fund.	0	11,277
\$61,916 Note Payable to National City Bank used to purchase a 2002 McCoy Miller F-350 Mini Medic Ambulance, due in monthly installments of \$1,386 including interest at the rate of 3.56% on the unpaid balance, paid from the Emergency Medical Services Fund.	0	16,232
	<u>577,363</u>	<u>27,509</u>

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 7 - LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business-Type</u>
<u>Primary Government:</u> (Continued)		
B. Bonds Payable:		
\$1,400,000 West Branch Water System Bonds, dated April 1, 1993, due in annual installments through May 1, 2013, bearing interest at the rates of 3.2% to 5.6%, paid from the West Branch Township Water Bond Fund. The bond issue is funded by the Township of West Branch.	\$ 630,000	\$ 0
\$525,000 Ogemaw County Lake Level (Flowage Lake Dam) Bonds, dated October 1, 1996, due in annual installments through May 1, 2016, bearing interest at the rates of 5.6% to 7.0%. Said bonds were issued for the purpose of constructing a dam in West Branch Township. The bond issue is funded by the Ogemaw County Board of Public Works. Bonds are callable on or after May 1, 2004. Payments made from the Flowage Lake Dam Bond Fund.	<u>325,000</u> <u>955,000</u>	<u>0</u> <u>0</u>
Total Primary Government	<u>\$ 1,532,363</u>	<u>\$ 27,509</u>
	<u>Governmental</u>	<u>Business-Type</u>
<u>Component Units</u>		
Governmental Activities:		
C. Notes Payable:		
Road Commission – Michigan Transportation Fund Revenue Note Payable dated June 1, 2000 for the financing of construction additions and improvements to the facilities utilized for roadway operations, payable in annual installments of \$70,000 plus interest at the rate 4.9% to 5.5%.		
Total Component Units	<u>\$ 420,000</u>	<u>\$ 0</u>

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 7 - LONG-TERM DEBT (CONTINUED)D. Compensated Absences

The County has an accrued liability for accumulated vested vacation benefits payable and contingent liability for the accumulated sick leave benefits of its employees. As of December 31, 2004, the accumulated vested vacation and sick leave benefits of the employees of various County departments and its component units were as follows:

	Current Liability 12/31/04	Long-Term Liability 12/31/04	Total Balance 12/31/04
<u>Accrued Employee Benefits Payable</u>			
<u>Primary Government</u>			
Governmental Activities	\$ 0	\$ 196,073	\$ 196,073
Business-Type Activities	0	14,597	14,597
Total primary government	<u>\$ 0</u>	<u>\$ 210,670</u>	<u>\$ 210,670</u>
<u>Component Units</u>			
Road Commission	\$ 0	\$ 209,916	\$ 209,916
Public Transit	0	11,815	11,815
Total component units	<u>\$ 0</u>	<u>\$ 221,731</u>	<u>\$ 221,731</u>

The employment policies for accumulation of vacation and sick leave benefits vary based on union membership and employee group.

E. Changes in Long-Term Liabilities

	Balance 01/01/04	Issues or Additions	Payments or Expenditures	Balance 12/31/04	Due Within One Year
<u>Governmental Activities</u>					
Primary Government:					
Notes payable	\$ 192,108	\$ 1,200,000	\$ 814,757	\$ 577,363	\$ 557,177
Bonds payable	1,305,000	0	350,000	955,000	95,000
Accrued employee benefits payable	206,966	0	10,893*	196,073	0
Total primary government	<u>\$ 1,704,074</u>	<u>\$ 1,200,000</u>	<u>\$ 1,175,650</u>	<u>\$ 1,728,436</u>	<u>\$ 652,177</u>
Component Units:					
Notes payable	\$ 490,000	\$ 0	\$ 70,000	\$ 420,000	\$ 70,000
Accrued employee benefits payable	209,537	379*	0	209,916	0
Total component units	<u>\$ 699,537</u>	<u>\$ 379</u>	<u>\$ 70,000</u>	<u>\$ 629,916</u>	<u>\$ 70,000</u>

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 7 - LONG-TERM DEBT (CONTINUED)E. Changes in Long-Term Liabilities (Continued)

	<u>Balance</u> <u>01/01/04</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/04</u>	<u>Due Within</u> <u>One Year</u>
<u>Business-Type Activities</u>					
Primary Government:					
Notes payable	\$ 59,699	\$ 0	\$ 32,190	\$ 27,509	\$ 27,509
Accrued employee benefits payable	<u>14,287</u>	<u>310*</u>	<u>0</u>	<u>14,597</u>	<u>0</u>
Total primary government	<u>\$ 73,986</u>	<u>\$ 310</u>	<u>\$ 32,190</u>	<u>\$ 42,106</u>	<u>\$ 27,509</u>
Component units:					
Accrued employee benefits payable	<u>\$ 12,276</u>	<u>\$ 0</u>	<u>\$ 461*</u>	<u>\$ 11,815</u>	<u>\$ 0</u>

*Represents net of additions and retirements for the year.

The annual aggregate maturities for all debt outstanding (excluding compensated absences) as of December 31, 2004 are as follows:

Primary GovernmentNotes Payable

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 557,177	\$ 1,460	\$ 27,509	\$ 454	\$ 586,600
2006	13,145	353	0	0	13,498
2007	<u>7,041</u>	<u>67</u>	<u>0</u>	<u>0</u>	<u>7,108</u>
	<u>\$ 577,363</u>	<u>\$ 1,880</u>	<u>\$ 27,509</u>	<u>\$ 454</u>	<u>\$ 607,206</u>

Bonds Payable

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 95,000	\$ 50,860	\$ 0	\$ 0	\$ 145,860
2006	95,000	45,785	0	0	140,785
2007	95,000	40,640	0	0	135,640
2008	95,000	35,425	0	0	130,425
2009	95,000	30,140	0	0	125,140
2010 - 2014	405,000	72,260	0	0	477,260
2015 - 2016	<u>75,000</u>	<u>5,250</u>	<u>0</u>	<u>0</u>	<u>80,250</u>
	<u>\$ 955,000</u>	<u>\$ 280,360</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,235,360</u>

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Component Units

Governmental Activities

Notes Payable

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 70,000	\$ 22,260	\$ 92,260
2006	70,000	18,690	88,690
2007	70,000	15,050	85,050
2008	70,000	11,340	81,340
2009	70,000	7,630	77,630
2010	<u>70,000</u>	<u>3,850</u>	<u>73,850</u>
	<u>\$ 420,000</u>	<u>\$ 78,820</u>	<u>\$ 498,820</u>

NOTE 8 - OPERATING TRANSFERS

During 2004, the following transfers were made:

<u>Description</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
Major Funds:		
General Fund	\$ 258,453	\$ 1,072,962
Probate Child Care	<u>767,715</u>	<u>0</u>
Total Major Funds	1,026,168	1,072,962
Nonmajor Governmental Funds	377,892	236,771
Nonmajor Enterprise Funds	0	4,327
Internal Service Funds	<u>0</u>	<u>90,000</u>
	<u>\$ 1,404,060</u>	<u>\$ 1,404,060</u>

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 8 - OPERATING TRANSFERS (CONTINUED)

During 2004, the following individual fund transfers were made:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
General Fund	\$ 164,126	Revenue Sharing Reserve Fund	\$ 164,126
General Fund	4,327	Homestead Audit	4,327
General Fund	90,000	Tax Umbrella Fund	90,000
Probate Child Care	767,715	General Fund	767,715
Friend of the Court	54,916	General Fund	54,916
Department of Human Services	5,000	General Fund	5,000
Soldiers' and Sailors' Relief	15,000	General Fund	15,000
Airport	50,331	General Fund	50,331
911 Service Fund	180,000	General Fund	180,000
DPW Sanitary Sewer Bond	<u>72,645</u>	Department of Public Works	<u>72,645</u>
Total governmental funds	<u>\$ 1,404,060</u>		<u>\$ 1,404,060</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the County for these budgetary funds were adopted to the activity level.

During the year ended December 31, 2004, the County incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund/Judicial	\$ 1,322,263	\$ 1,356,485	\$ 34,222
Probate Child Care/Health and Welfare	\$ 1,077,121	\$ 1,095,263	\$ 18,142
Probate Child Care/Capital Outlay	\$ 0	\$ 8,158	\$ 8,158

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED

The County has two defined benefit pension plans, one covering the primary government employees and Public Transit employees and one covering Road Commission employees.

The following is a summary of the two plans:

Primary Government and Public Transit

Plan Description

The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operating under Public Act 220 of 1996, and the MERS Plan Document as revised. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MERS of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 1-800-767-6377.

Funding Policy

The County is required to contribute at an actuarially determined rate. The current rate is 12.79% of annual covered payroll for General Members, 10.38% for Sheriff Members, 9.91% for Ambulance Driver Members, and 22.78% for Command Officer Members. The contribution requirements of plan members are 5.5% for General Members, 5.5% for Sheriff Members, 4% for Ambulance Members and 8.34% for Command Officer Members. If a member leaves the employ of the County, or dies, without a retirement allowance or other benefit payable on his account, the member's accumulated contributions (with interest) are refunded to the member, if living, or to the members' surviving spouse or beneficiary. The contribution requirements are established and may be amended by the MERS Retirement Board.

Annual Pension Cost

For 2004, the County's annual pension cost of \$450,772 was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases of 4.5% per year compounded annually, and (c) additional projected salary increases of 0% to 4.16% per year, depending on age, attributable to merit, longevity and promotions. Both (a) and (b) include an inflation component. The County's net pension obligation has been fully funded at December 31, 2004.

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

The County has adopted GASB 27 *Accounting for Pensions by State and Local Governmental Employer*. The following pension information is presented in accordance with GASB 27:

Actuarial Accrued Liability from December 31, 2003Actuarial Valuation

Retirees and beneficiaries currently receiving benefits	\$ 5,713,395
Terminated employees not yet receiving benefits	785,645
Non-vested terminated employees (pending determination)	56,530
Current employees -	
Accumulated employee contributions including allocated investment income	1,792,893
Employer financed	<u>7,292,372</u>
Total Actuarial Accrued Liability	15,640,835
Net assets available for benefits at actuarial value (Market value is \$12,601,174)	<u>13,800,314</u>
Unfunded Actuarial Accrued Liability	<u>\$ 1,840,521</u>

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
December 31, 2002	\$ 345,482	100%	\$ 0
December 31, 2003	\$ 423,394	100%	\$ 0
December 31, 2004	\$ 450,772	100%	\$ 0

Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial Accrued</u> <u>Liability (AAL)</u> <u>-Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
12/31/01	\$12,040,306	\$13,417,629	\$ 1,377,323	90%	\$ 3,518,333	39%
12/31/02	\$12,665,815	\$14,620,919	\$ 1,955,104	87%	\$ 3,772,005	52%
12/31/03	\$13,800,314	\$15,640,835	\$ 1,840,521	88%	\$ 3,745,159	49%

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Road Commission

Following are the Road Commission Retirement System disclosures as presented in the Road Commission's audit and its report dated February 25, 2005.

Plan Description

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is affiliated with the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer, state-wide, public employee pension created under Public Act 135 of 1945, and now operating under Public Act 220 of 1996, and the MERS Plan Document as revised. Any municipality within the State may elect to become a participating member of MERS or elect to terminate participation by a majority vote of the municipality's governing body. Changes in benefit coverage are available to bargaining units after approval by a majority of the municipality's governing body. The MERS of Michigan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MERS of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 1-800-767-6377.

Funding Policy

The Road Commission is required to contribute at an actuarially determined rate. The current rate is 9.29% of annual covered payroll for General-Union Members and 17.95% for General-Non-Union Members. The contribution requirements of the plan members are 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. If a member leaves the employ of the Road Commission, or dies, without a retirement allowance or other benefit payable on his account, the member's accumulated contributions (with interest) are refunded to the member, if living, or to the members' beneficiary. The contribution requirements are established and may be amended by the MERS Retirement Board.

Annual Pension Cost

For 2003, the Road Commission's annual pension cost of \$157,183 was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases of 4.5% per year compounded annually, (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) 2.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component. The Road Commission's net pension obligation has been fully funded at December 31, 2004.

The Road Commission has adopted GASB 27 *Accounting for Pensions by State and Local Governmental Employer*. The following pension information is presented in accordance with GASB 27:

Actuarial Accrued Liability from December 31, 2003

Actuarial Valuation

Retirees and beneficiaries currently receiving benefits	\$ 3,391,105
Terminated employees not yet receiving benefits	110,678
Current employees -	
Accumulated employee contributions including allocated investment income	676,368
Employer financed	<u>1,864,681</u>
Total Actuarial Accrued Liability	6,042,832

COUNTY OF OGEMAW
West Branch, MichiganNOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)Actuarial Accrued Liability from December 31, 2003 (Continued)

Net assets available for benefits at actuarial value
(Market value is \$3,841,086) \$ 4,206,608

Unfunded Actuarial Accrued Liability \$ 1,836,224

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2002	\$ 112,274	100%	\$ 0
December 31, 2003	\$ 119,100	100%	\$ 0
December 31, 2004	\$ 157,183	100%	\$ 0

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/01	\$ 4,279,960	\$ 5,385,438	\$ 1,105,478	79%	\$ 1,090,702	101%
12/31/02	\$ 4,171,937	\$ 5,694,210	\$ 1,522,273	73%	\$ 1,146,976	133%
12/31/03	\$ 4,206,608	\$ 6,042,832	\$ 1,836,224	70%	\$ 1,190,107	154%

NOTE 11 - DEFERRED COMPENSATION PLAN

The County and the Road Commission, a component unit, offers to their employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The assets of the plans are held in trust, in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the County for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the County's financial statements.

COUNTY OF OGEMAW
West Branch, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2004

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits described in Note 10, the County provides post-employment benefit options for health care to eligible retirees and their dependents. The benefits are provided in accordance with collective bargaining agreements under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility is 10 years or more of service. The County funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the County subsidizing the remaining costs. During 2004, expenses (net of participant contributions) of \$13,524 were recognized for post-employment benefits. There are 21 participants currently eligible.

NOTE 13 - FUND DEFICITS

The Probate Child Care and Flowage Lake Dam Fund had unreserved fund deficits of \$215,100 and \$14,671, respectively, at December 31, 2004.

NOTE 14 - RISK MANAGEMENT

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County has purchased commercial insurance for medical benefits claims, general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County. The general fund fund balance has been reserved in the amount of \$25,677 pending resolution of various lawsuits.

NOTE 15 - OPERATING LEASES

The County leases two copiers with Xerox Corporation under a standard leasing agreement. Monthly payments are \$967. Rental expense for the year ended December 31, 2004 was \$11,604.

Minimum future rental payments under noncancelable leases for years after December 31, 2004 are as follows:

2005	\$ 11,604
2006	11,604
2007	<u>6,914</u>
	<u>\$ 30,122</u>

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND

For the Year Ended December 31, 2004

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
Revenue:				
Taxes	\$ 3,915,464	\$ 3,923,034	\$ 3,924,960	\$ 1,926
Federal grants	250,610	284,010	262,804	(21,206)
State grants and revenue	1,122,349	986,498	968,402	(18,096)
Charges for services	1,298,783	1,490,480	1,454,393	(36,087)
Licenses and permits	272,000	336,700	339,846	3,146
Interest and rentals	85,600	59,600	61,917	2,317
Fines and forfeits	70,000	29,152	27,589	(1,563)
Other revenue	71,756	72,384	55,025	(17,359)
Total revenue	<u>7,086,562</u>	<u>7,181,858</u>	<u>7,094,936</u>	<u>(86,922)</u>
Expenditures:				
Current:				
Legislative and executive	143,523	138,775	122,373	16,402
Judicial	1,248,332	1,322,263	1,356,485	(34,222)
General government	2,001,955	1,979,584	1,956,038	23,546
Public safety	2,594,499	2,581,931	2,548,019	33,912
Public works	36,933	33,933	29,389	4,544
Health and welfare	395,052	363,534	362,734	800
Community and economic development	62,515	68,115	59,203	8,912
Capital outlay	51,400	72,357	58,404	13,953
Debt service:				
Principal	14,929	14,929	14,929	0
Interest and fiscal charges	2,029	2,029	2,029	0
Total expenditures	<u>6,551,167</u>	<u>6,577,450</u>	<u>6,509,603</u>	<u>67,847</u>
Excess of revenue over (under) expenditures	<u>535,395</u>	<u>604,408</u>	<u>585,333</u>	<u>(19,075)</u>
Other Financing Sources (Uses):				
Operating transfers in	92,600	269,873	258,453	(11,420)
Operating transfers out	(627,995)	(1,074,281)	(1,072,962)	1,319
Total other financing sources (uses)	<u>(535,395)</u>	<u>(804,408)</u>	<u>(814,509)</u>	<u>(10,101)</u>
Excess of revenue and other sources over (under) expenditures and other uses	0	(200,000)	(229,176)	(29,176)
Fund balances - beginning of year	<u>355,433</u>	<u>355,433</u>	<u>355,433</u>	<u>0</u>
Fund balances - end of year	<u>\$ 355,433</u>	<u>\$ 155,433</u>	<u>\$ 126,257</u>	<u>\$ (29,176)</u>

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 HOUSING COMMISSION FUND - SPECIAL REVENUE FUND
For the Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenue:				
Federal grants	\$ 33,261	\$ 337,261	\$ 18,620	\$ (318,641)
Interest and rentals	0	0	352	352
Other revenue	<u>221,000</u>	<u>221,000</u>	<u>104,766</u>	<u>(116,234)</u>
Total revenue	254,261	558,261	123,738	(434,523)
Expenditures:				
Current:				
Community and economic development	<u>476,657</u>	<u>457,961</u>	<u>167,454</u>	<u>290,507</u>
Excess of revenue over (under) expenditures	(222,396)	100,300	(43,716)	(144,016)
Fund balances - beginning of year	<u>121,275</u>	<u>121,275</u>	<u>121,275</u>	<u>0</u>
Fund balances - end of year	<u>\$ (101,121)</u>	<u>\$ 221,575</u>	<u>\$ 77,559</u>	<u>\$ (144,016)</u>

COUNTY OF OGEMAW
West Branch, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 PROBATE CHILD CARE FUND - SPECIAL REVENUE FUND
For the Year Ended December 31, 2004

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenue:				
Federal grants	\$ 62,200	\$ 77,062	\$ 60,749	\$ (16,313)
State grants and revenue	184,000	419,763	348,174	(71,589)
Other revenue	<u>37,000</u>	<u>45,000</u>	<u>31,927</u>	<u>(13,073)</u>
Total revenue	<u>283,200</u>	<u>541,825</u>	<u>440,850</u>	<u>(100,975)</u>
Expenditures:				
Current:				
Health and welfare	574,401	1,077,121	1,095,263	(18,142)
Capital outlay	<u>0</u>	<u>0</u>	<u>8,158</u>	<u>(8,158)</u>
Total expenditures	<u>574,401</u>	<u>1,077,121</u>	<u>1,103,421</u>	<u>(26,300)</u>
Excess of revenue over (under) expenditures	(291,201)	(535,296)	(662,571)	(127,275)
Other Financing Sources:				
Operating transfers in	<u>291,201</u>	<u>424,274</u>	<u>767,715</u>	<u>343,441</u>
Excess of revenue and other sources over (under) expenditures	0	(111,022)	105,144	216,166
Fund balances (deficit) - beginning of year	<u>(320,244)</u>	<u>(320,244)</u>	<u>(320,244)</u>	<u>0</u>
Fund balances (deficit) - end of year	<u>\$ (320,244)</u>	<u>\$ (431,266)</u>	<u>\$ (215,100)</u>	<u>\$ 216,166</u>

OTHER INFORMATION

COUNTY OF OGEMAW
West Branch, MichiganCOMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2004ASSETS

	Friend of the Court	DARE Contributions Fund	Drug Forfeiture	County Law Library	EDC	Department of Human Services	Soldiers' and Sailors' Relief	Veterans Trust	Commissary	Airport	911 Service Fund	Register of Deeds Automation Fund
Cash and cash equivalents	\$ 26,311	\$ 6,190	\$ 7,008	\$ 2,547	\$ 160,803	\$ 53,636	\$ 1,092	\$ 1,870	\$ 7,395	\$ 54,003	\$ 43,697	\$ 23,365
Investments	0	0	0	0	0	0	0	0	0	9,260	0	0
Receivables:												
Taxes	0	0	0	0	0	0	0	0	0	0	0	0
Special assessments	0	0	0	0	0	0	0	0	0	0	0	0
Accounts (Net of estimated uncollectibles)	0	0	0	0	0	3,445	0	0	0	0	292	0
Note receivable	0	0	0	0	6,685	0	0	0	0	0	0	0
Due from local units	3,025	0	0	0	0	0	0	0	0	0	0	0
Due from state	35,261	0	0	0	0	97,289	0	0	0	1,629	22,883	0
Due from federal	0	0	0	0	0	0	0	0	0	0	0	0
Due from other funds	13,952	0	0	0	0	0	0	0	0	0	0	0
Prepaid expenses	0	0	0	0	0	0	0	0	0	7,115	0	0
Long-term note receivable	0	0	0	0	45,737	0	0	0	0	0	0	0
Total Assets	<u>\$ 78,549</u>	<u>\$ 6,190</u>	<u>\$ 7,008</u>	<u>\$ 2,547</u>	<u>\$ 213,225</u>	<u>\$ 154,370</u>	<u>\$ 1,092</u>	<u>\$ 1,870</u>	<u>\$ 7,395</u>	<u>\$ 72,007</u>	<u>\$ 66,872</u>	<u>\$ 23,365</u>

LIABILITIES AND FUND EQUITY

Liabilities:												
Due to other funds	\$ 3,133	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,277	\$ 0
Advances from state	0	0	0	0	0	62,000	0	0	0	0	0	0
Deferred revenue	0	0	0	0	52,422	38,734	0	0	0	0	0	0
Total liabilities	<u>3,133</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>52,422</u>	<u>113,834</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,277</u>	<u>0</u>
Fund Equity:												
Fund balances (deficit):												
Reserved for debt service	0	0	0	0	0	0	0	0	0	0	0	0
Reserved for capital projects	0	0	0	0	0	0	0	0	0	0	0	0
Unreserved reported in:												
Special revenue funds	<u>75,416</u>	<u>6,190</u>	<u>7,008</u>	<u>2,547</u>	<u>160,803</u>	<u>40,536</u>	<u>1,092</u>	<u>1,870</u>	<u>7,395</u>	<u>72,007</u>	<u>60,595</u>	<u>23,365</u>
Total fund equity	<u>75,416</u>	<u>6,190</u>	<u>7,008</u>	<u>2,547</u>	<u>160,803</u>	<u>40,536</u>	<u>1,092</u>	<u>1,870</u>	<u>7,395</u>	<u>72,007</u>	<u>60,595</u>	<u>23,365</u>
Total Liabilities and Fund Equity	<u>\$ 78,549</u>	<u>\$ 6,190</u>	<u>\$ 7,008</u>	<u>\$ 2,547</u>	<u>\$ 213,225</u>	<u>\$ 154,370</u>	<u>\$ 1,092</u>	<u>\$ 1,870</u>	<u>\$ 7,395</u>	<u>\$ 72,007</u>	<u>\$ 66,872</u>	<u>\$ 23,365</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2004

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2004

ASSETS

	Correction Training Fund	Revenue Sharing Reserve Fund	DPW Sanitary Sewer Bond	West Branch Township Water Bond	Flowage Lake Dam Bond	Flowage Lake Dam Fund	Department of Public Works	Drain Revolving Fund	AuSable Lake Assessment	Stylus Lake Assessment	Tee Lake Assessment	Total Other Governmental Funds
Cash and cash equivalents	\$ 10,124	\$ 0	\$ 0	\$ 0	\$ 88,146	\$ 2,929	\$ 4,157	\$ 3,000	\$ 3,818	\$ 81,884	\$ 7,315	\$ 589,290
Investments	0	0	0	0	0	0	0	0	0	0	0	9,260
Receivables:												
Taxes	0	1,179,035	0	0	0	0	0	0	0	0	0	1,179,035
Special assessments	0	0	0	0	0	0	0	0	0	10,810	3,427	14,237
Accounts (Net of estimated uncollectibles)	0	0	0	0	0	0	0	0	0	0	0	3,737
Note receivable	0	0	0	0	0	0	0	0	0	0	0	6,685
Due from local units	0	0	0	0	0	0	0	0	0	667	0	3,692
Due from state	0	0	0	0	0	0	0	0	0	0	0	157,062
Due from federal	0	0	49	0	0	0	0	0	0	0	0	49
Due from other funds	0	0	0	0	0	0	0	10,000	0	0	0	23,952
Prepaid expenses	0	0	0	0	0	0	0	0	0	0	0	7,115
Long-term note receivable	0	0	0	0	0	0	0	0	0	0	0	45,737
Total Assets	\$ 10,124	\$ 1,179,035	\$ 49	\$ 0	\$ 88,146	\$ 2,929	\$ 4,157	\$ 13,000	\$ 3,818	\$ 93,361	\$ 10,742	\$ 2,039,851

LIABILITIES AND FUND EQUITY

Liabilities:												
Due to other funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,110
Advances from state	0	0	0	0	0	0	0	0	0	0	0	62,000
Deferred revenue	0	0	0	0	0	0	0	0	1,171	10,810	3,427	106,564
Total liabilities	0	0	0	0	0	17,600	0	0	1,171	10,810	3,427	208,674
Fund Equity:												
Fund balances (deficit):												
Reserved for debt service	0	0	49	0	88,146	0	0	0	0	0	0	88,195
Reserved for capital projects	0	0	0	0	0	(14,671)	4,157	13,000	2,647	82,551	7,315	94,999
Unreserved reported in:												
Special revenue funds	10,124	1,179,035	0	0	0	0	0	0	0	0	0	1,647,983
Total fund equity	10,124	1,179,035	49	0	88,146	(14,671)	4,157	13,000	2,647	82,551	7,315	1,831,177
Total Liabilities and Fund Equity	\$ 10,124	\$ 1,179,035	\$ 49	\$ 0	\$ 88,146	\$ 2,929	\$ 4,157	\$ 13,000	\$ 3,818	\$ 93,361	\$ 10,742	\$ 2,039,851

COUNTY OF OGE MAW
West Branch, MichiganCOMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	Friend of the Court	DARE Contributions Fund	Drug Forfeiture	County Law Library	EDC	Department of Human Services	Soldiers' and Sailors' Relief	Veterans Trust	Commissary	Airport	911 Service Fund	Register of Deeds Automation Fund
Revenue												
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal grants	88,138	0	0	0	0	0	0	0	0	243,304	0	0
State grants and revenue	56,396	0	0	0	0	448,246	0	1,629	0	14,151	90,341	0
Contributions from local units	0	0	0	0	20,997	63,510	0	0	0	20,727	0	0
Charges for services	55,577	0	0	0	0	0	0	0	0	0	1,345	44,860
Interest and rentals	5	0	0	0	1,717	0	0	0	0	24,268	0	81
Fines and forfeits	0	0	517	5,250	0	0	0	0	0	0	0	0
Other revenue	0	1,500	0	0	0	10,313	0	0	30,955	428	118,142	0
Total revenue	200,116	1,500	517	5,250	22,714	522,069	0	1,629	30,955	302,878	209,828	44,941
Expenditures												
Current:												
Judicial	251,670	0	0	12,696	0	0	0	0	0	0	0	0
General government	0	0	0	0	0	0	0	0	19,351	0	0	34,278
Public safety	0	15	0	0	0	0	0	0	0	0	383,868	0
Public works	0	0	0	0	0	0	0	0	0	73,042	0	0
Health and welfare	0	0	0	0	0	491,048	15,074	1,371	0	0	0	0
Community and economic development	0	0	0	0	72,074	0	0	0	0	0	0	0
Capital outlay	0	0	0	0	0	0	0	0	20,128	258,539	0	0
Debt service:												
Principal	0	0	0	0	0	0	0	0	0	9,817	0	0
Interest and fiscal charges	0	0	0	0	0	0	0	0	0	863	0	0
Total expenditures	251,670	15	0	12,696	72,074	491,048	15,074	1,371	39,479	342,261	383,868	34,278
Excess of revenue over (under) expenditures	(51,554)	1,485	517	(7,446)	(49,360)	31,021	(15,074)	258	(8,524)	(39,383)	(174,040)	10,663
Other Financing Sources (Uses):												
Operating transfers in	54,916	0	0	0	0	5,000	15,000	0	0	50,331	180,000	0
Operating transfers out	0	0	0	0	0	0	0	0	0	0	0	0
Total other financing sources (uses)	54,916	0	0	0	0	5,000	15,000	0	0	50,331	180,000	0
Excess of revenue and other sources over (under) expenditures and other uses	3,362	1,485	517	(7,446)	(49,360)	36,021	(74)	258	(8,524)	10,948	5,960	10,663
Fund balances (deficit) - beginning of year	72,054	4,705	6,491	9,993	210,163	4,515	1,166	1,612	15,919	61,059	54,635	12,702
Fund balances (deficit) - end of year	\$ 75,416	\$ 6,190	\$ 7,008	\$ 2,547	\$ 160,803	\$ 40,536	\$ 1,092	\$ 1,870	\$ 7,395	\$ 72,007	\$ 60,595	\$ 23,365

COUNTY OF OGEMAW
West Branch, MichiganCOUNTY OF OGEMAW
West Branch, MichiganCOMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	Correction Training Fund	Revenue Sharing Reserve Fund	DPW Sanitary Sewer Bond	West Branch Township Water Bond	Flowage Lake Dam Bond	Flowage Lake Dam Fund	Department of Public Works	Drain Revolving Fund	AuSable Lake Assessment	Stylus Lake Assessment	Tee Lake Assessment	Total Other Governmental Funds
<u>Revenue</u>												
Taxes	\$ 0	\$ 1,343,161	\$ 0	\$ 0	\$ 0	\$ 15,036	\$ 0	\$ 0	\$ 6,001	\$ 5,551	\$ 1,806	\$ 1,371,555
Federal grants	0	0	0	0	0	0	0	0	0	0	0	331,442
State grants and revenue	0	0	0	0	0	0	0	0	0	0	0	610,763
Contributions from local units	0	0	134,050	106,865	51,255	0	0	2,901	0	0	0	400,305
Charges for services	10,124	0	0	0	0	0	0	0	0	0	0	111,906
Interest and rentals	0	0	0	0	727	46	685	0	30	1,803	433	29,795
Fines and forfeits	0	0	0	0	0	0	0	0	0	0	0	5,767
Other revenue	0	0	0	0	0	0	0	0	0	0	0	161,338
Total revenue	10,124	1,343,161	134,050	106,865	51,982	15,082	685	2,901	6,031	7,354	2,239	3,022,871
<u>Expenditures</u>												
Current:												
Judicial	0	0	0	0	0	0	0	0	0	0	0	264,366
General government	0	0	0	0	0	0	0	0	0	0	0	53,629
Public safety	0	0	0	0	0	0	0	0	0	0	0	383,883
Public works	0	0	0	0	0	6,726	0	0	2,160	17,287	0	99,215
Health and welfare	0	0	0	0	0	0	0	0	0	0	0	507,493
Community and economic development	0	0	0	0	0	0	0	0	0	0	0	72,074
Capital outlay	0	0	0	0	0	0	0	0	0	0	0	278,667
Debt service:												
Principal	0	0	255,000	70,000	25,000	0	0	0	0	0	0	359,817
Interest and fiscal charges	0	0	8,462	36,865	20,000	0	0	0	0	0	0	66,190
Total expenditures	0	0	263,462	106,865	45,000	6,726	0	0	2,160	17,287	0	2,085,334
Excess of revenue over (under) expenditures	10,124	1,343,161	(129,412)	0	6,982	8,356	685	2,901	3,871	(9,933)	2,239	937,537
Other Financing Sources (Uses):												
Operating transfers in	0	0	72,645	0	0	0	0	0	0	0	0	377,892
Operating transfers out	0	(164,126)	0	0	0	0	(72,645)	0	0	0	0	(236,771)
Total other financing sources (uses)	0	(164,126)	72,645	0	0	0	(72,645)	0	0	0	0	141,121
Excess of revenue and other sources over (under) expenditures and other uses	10,124	1,179,035	(56,767)	0	6,982	8,356	(71,960)	2,901	3,871	(9,933)	2,239	1,078,658
Fund balances (deficit) - beginning of year	0	0	56,816	0	81,164	(23,027)	76,117	10,099	(1,224)	92,484	5,076	752,519
Fund balances (deficit) - end of year	\$ 10,124	\$ 1,179,035	\$ 49	\$ 0	\$ 88,146	\$ (14,671)	\$ 4,157	\$ 13,000	\$ 2,647	\$ 82,551	\$ 7,315	\$ 1,831,177

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF NET ASSETS
 OTHER ENTERPRISE FUNDS
December 31, 2004

	County Park	Homestead Audit	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 16,971	\$ 10,128	\$ 27,099
Capital assets, net	<u>8,564</u>	<u>0</u>	<u>8,564</u>
Total Assets	<u>25,535</u>	<u>10,128</u>	<u>35,663</u>
<u>Liabilities</u>			
Current liabilities:			
Due to local units	0	9,626	9,626
Due to state	<u>0</u>	<u>493</u>	<u>493</u>
Total Liabilities	<u>0</u>	<u>10,119</u>	<u>10,119</u>
<u>Net Assets</u>			
Investment in capital assets, net of related debt	8,564	0	8,564
Unrestricted	<u>16,971</u>	<u>9</u>	<u>16,980</u>
Total Net Assets	<u>\$ 25,535</u>	<u>\$ 9</u>	<u>\$ 25,544</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
 OTHER ENTERPRISE FUNDS
For the Year Ended December 31, 2004

	County Park	Homestead Audit	Total
Operating Revenue:			
User fees	\$ 24,473	\$ 0	\$ 24,473
Tax collection fees	0	4,496	4,496
Total operating revenue	<u>24,473</u>	<u>4,496</u>	<u>28,969</u>
Operating Expenses:			
Salaries and wages	1,160	0	1,160
Contractual services	3,660	0	3,660
Gasoline and oil	95	0	95
Operating supplies	1,808	160	1,968
Professional fees and services	4,692	0	4,692
Property taxes	1,583	0	1,583
Repair and maintenance	2,680	0	2,680
Travel and training	313	0	313
Utilities	6,362	0	6,362
Depreciation	530	0	530
Total operating expenses	<u>22,883</u>	<u>160</u>	<u>23,043</u>
Operating income	1,590	4,336	5,926
Operating transfers out	<u>0</u>	<u>(4,327)</u>	<u>(4,327)</u>
Change in net assets	1,590	9	1,599
Net assets - beginning of year	<u>23,945</u>	<u>0</u>	<u>23,945</u>
Net assets - end of year	<u>\$ 25,535</u>	<u>\$ 9</u>	<u>\$ 25,544</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF CASH FLOWS
 OTHER ENTERPRISE FUNDS
For the Year Ended December 31, 2004

	<u>County Park</u>	<u>Homestead Audit</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts from customers and taxpayers	\$ 24,473	\$ 14,615	\$ 39,088
Payments for operating expenses	<u>(22,353)</u>	<u>(160)</u>	<u>(22,513)</u>
Net cash provided by operating activities	<u>2,120</u>	<u>14,455</u>	<u>16,575</u>
Cash Flows From Non-Capital Financing Activities:			
Operating subsidies and transfers from (to) other funds	<u>0</u>	<u>(4,327)</u>	<u>(4,327)</u>
Net increase in cash and cash equivalents	2,120	10,128	12,248
Cash and cash equivalents at beginning of year	<u>14,851</u>	<u>0</u>	<u>14,851</u>
Cash and cash equivalents at end of year	<u>\$ 16,971</u>	<u>\$ 10,128</u>	<u>\$ 27,099</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,590	\$ 4,336	\$ 5,926
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	530	0	530
Change in assets and liabilities:			
Accounts and other payables	<u>0</u>	<u>10,119</u>	<u>10,119</u>
Net cash provided by operating activities	<u>\$ 2,120</u>	<u>\$ 14,455</u>	<u>\$ 16,575</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
December 31, 2004

	Delinquent Tax Revolving Funds							
	<u>Umbrella</u>	<u>Administration</u>	<u>1998</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u>
<u>Assets</u>								
Cash and cash equivalents	\$ 1,066,866	\$ 32,594	\$ 223,397	\$ 171,136	\$ 124,373	\$ 107,126	\$ 17,364	\$ 1,742,856
Investments	920,341	0	75,000	75,000	75,000	0	0	1,145,341
Receivables:								
Delinquent taxes	32,841	0	770	1,194	33,622	107,863	605,520	781,810
Accounts, net	774	0	0	81	216	970	0	2,041
Due from local units	7,000	0	0	0	0	0	0	7,000
Due from other funds	0	613	0	0	0	0	0	613
Total Assets	<u>2,027,822</u>	<u>33,207</u>	<u>299,167</u>	<u>247,411</u>	<u>233,211</u>	<u>215,959</u>	<u>622,884</u>	<u>3,679,661</u>
<u>Liabilities</u>								
Accounts payable	36	0	9	333	160	730	254	1,522
Due to other governments	0	0	0	0	0	0	6,151	6,151
Due to state	0	0	270	0	0	6,330	0	6,600
Due to other funds	13,297	0	0	8	167	438	0	13,910
Notes payable, current	0	0	0	0	0	0	531,000	531,000
Total Liabilities	<u>13,333</u>	<u>0</u>	<u>279</u>	<u>341</u>	<u>327</u>	<u>7,498</u>	<u>537,405</u>	<u>559,183</u>
<u>Net Assets</u>								
Unrestricted	<u>\$ 2,014,489</u>	<u>\$ 33,207</u>	<u>\$ 298,888</u>	<u>\$ 247,070</u>	<u>\$ 232,884</u>	<u>\$ 208,461</u>	<u>\$ 85,479</u>	<u>\$ 3,120,478</u>

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2004

	Delinquent Tax Revolving Funds							
	<u>Umbrella</u>	<u>Administration</u>	<u>1998</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u>
Operating Revenue:								
Tax collection fees	\$ 178	\$ 7,650	\$ 139	\$ 258	\$ 2,324	\$ 21,539	\$ 50,449	\$ 82,537
Interest and penalties on taxes	<u>2,555</u>	<u>0</u>	<u>2,345</u>	<u>2,586</u>	<u>20,112</u>	<u>82,341</u>	<u>53,263</u>	<u>163,202</u>
Total operating revenue	<u>2,733</u>	<u>7,650</u>	<u>2,484</u>	<u>2,844</u>	<u>22,436</u>	<u>103,880</u>	<u>103,712</u>	<u>245,739</u>
Operating Expenses:								
Contractual services	0	0	0	0	0	0	6,509	6,509
Administrative costs	120	1,530	110	121	953	3,890	2,507	9,231
Other	<u>1,232</u>	<u>11,112</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,348</u>
Total operating expenses	<u>1,352</u>	<u>12,642</u>	<u>110</u>	<u>125</u>	<u>953</u>	<u>3,890</u>	<u>9,016</u>	<u>28,088</u>
Operating income (loss)	<u>1,381</u>	<u>(4,992)</u>	<u>2,374</u>	<u>2,719</u>	<u>21,483</u>	<u>99,990</u>	<u>94,696</u>	<u>217,651</u>
Nonoperating Revenue (Expenses):								
Interest earned on investments	30,865	268	2,981	2,686	1,691	393	1,318	40,202
Interest and fees expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(160)</u>	<u>(10,535)</u>	<u>(10,695)</u>
Total nonoperating revenue (expenses)	<u>30,865</u>	<u>268</u>	<u>2,981</u>	<u>2,686</u>	<u>1,691</u>	<u>233</u>	<u>(9,217)</u>	<u>29,507</u>
Income (loss) before operating transfers	32,246	(4,724)	5,355	5,405	23,174	100,223	85,479	247,158
Operating transfers out	<u>(90,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(90,000)</u>
Change in net assets	(57,754)	(4,724)	5,355	5,405	23,174	100,223	85,479	157,158
Net assets - beginning of year	<u>2,072,243</u>	<u>37,931</u>	<u>293,533</u>	<u>241,665</u>	<u>209,710</u>	<u>108,238</u>	<u>0</u>	<u>2,963,320</u>
Net assets - end of year	\$ 2,014,489	\$ 33,207	\$ 298,888	\$ 247,070	\$ 232,884	\$ 208,461	\$ 85,479	\$ 3,120,478

COUNTY OF OGEMAW
West Branch, Michigan

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2004

	Delinquent Tax Revolving Funds							
	<u>Umbrella</u>	<u>Administration</u>	<u>1998</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Total</u>
Cash Flows From Operating Activities:								
Receipts from taxpayers	\$ 2,742	\$ 7,650	\$ 2,763	\$ 2,543	\$ 15,990	\$ 109,240	\$ 103,712	\$ 244,640
Payments for operating expenses	(1,343)	(12,642)	(101)	0	(974)	(3,160)	(8,762)	(26,982)
Delinquent taxes collected (purchased)	6,939	0	3,210	6,405	57,948	532,442	(599,369)	7,575
Net cash provided (used) by operating activities	<u>8,338</u>	<u>(4,992)</u>	<u>5,872</u>	<u>8,948</u>	<u>72,964</u>	<u>638,522</u>	<u>(504,419)</u>	<u>225,233</u>
Cash Flows From Non-Capital Financing Activities:								
Operating subsidies and transfers from (to) other funds	69,000	0	186,294	81,000	0	(426,294)	0	(90,000)
Cash Flows From Capital and Related Financing Activities:								
Proceeds received on notes	0	0	0	0	0	0	1,200,000	1,200,000
Principal paid on notes payable	0	0	0	0	0	(121,000)	(669,000)	(790,000)
Interest and fees paid on notes payable	0	0	0	0	0	(160)	(10,535)	(10,695)
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(121,160)</u>	<u>520,465</u>	<u>399,305</u>
Cash Flows From Investing Activities:								
Purchase of investment securities	(620,341)	0	(75,000)	(75,000)	(75,000)	0	0	(845,341)
Interest earned	30,865	268	2,981	2,686	1,691	393	1,318	40,202
Net cash provided (used) by investing activities	<u>(589,476)</u>	<u>268</u>	<u>(72,019)</u>	<u>(72,314)</u>	<u>(73,309)</u>	<u>393</u>	<u>1,318</u>	<u>(805,139)</u>
Net increase (decrease) in cash and cash equivalents	(512,138)	(4,724)	120,147	17,634	(345)	91,461	17,364	(270,601)
Cash and cash equivalents at beginning of year	<u>1,579,004</u>	<u>37,318</u>	<u>103,250</u>	<u>153,502</u>	<u>124,718</u>	<u>15,665</u>	<u>0</u>	<u>2,013,457</u>
Cash and cash equivalents at end of year	<u>\$ 1,066,866</u>	<u>\$ 32,594</u>	<u>\$ 223,397</u>	<u>\$ 171,136</u>	<u>\$ 124,373</u>	<u>\$ 107,126</u>	<u>\$ 17,364</u>	<u>\$ 1,742,856</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 1,381	\$ (4,992)	\$ 2,374	\$ 2,719	\$ 21,483	\$ 99,990	\$ 94,696	\$ 217,651
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Change in assets and liabilities:								
Accounts receivable, net	6,948	0	3,219	6,837	59,082	537,236	(605,520)	7,802
Accounts and other payables	9	0	279	(608)	(7,601)	1,296	6,405	(220)
Net cash provided (used) by operating activities	<u>\$ 8,338</u>	<u>\$ (4,992)</u>	<u>\$ 5,872</u>	<u>\$ 8,948</u>	<u>\$ 72,964</u>	<u>\$ 638,522</u>	<u>\$ (504,419)</u>	<u>\$ 225,233</u>

COUNTY OF OGEMAW
West Branch, Michigan

SCHEDULE OF INDEBTEDNESS
December 31, 2004

\$50,000 NOTE PAYABLE FOR AIRPORT T-HANGERS

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 10,089	\$ 590	\$ 10,679
2006	10,353	327	10,680
2007	<u>7,041</u>	<u>67</u>	<u>7,108</u>
	<u>\$ 27,483</u>	<u>\$ 984</u>	<u>\$ 28,467</u>

\$22,712 NOTE PAYABLE FOR 2003 FORD CROWN VICTORIA

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 8,044	\$ 435	\$ 8,479
2006	<u>1,396</u>	<u>13</u>	<u>1,409</u>
	<u>\$ 9,440</u>	<u>\$ 448</u>	<u>\$ 9,888</u>

\$22,712 NOTE PAYABLE FOR 2003 FORD CROWN VICTORIA

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 8,044	\$ 435	\$ 8,479
2006	<u>1,396</u>	<u>13</u>	<u>1,409</u>
	<u>\$ 9,440</u>	<u>\$ 448</u>	<u>\$ 9,888</u>

\$48,794 NOTE PAYABLE FOR 2002 GOGGAN AMBULANCE

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	<u>\$ 11,277</u>	<u>\$ 144</u>	<u>\$ 11,421</u>

COUNTY OF OGEMAW
West Branch, Michigan

SCHEDULE OF INDEBTEDNESS
December 31, 2004

\$61,916 NOTE PAYABLE FOR 2002 MCCOY MILLER F-350 MINI MEDIC

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	<u>\$ 16,232</u>	<u>\$ 310</u>	<u>\$ 16,542</u>

\$1,400,000 WEST BRANCH WATER SYSTEM BONDS

<u>Calendar Year</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>November 1 Interest</u>	<u>Total</u>
2005	\$ 17,290	\$ 70,000	\$ 15,470	\$ 102,760
2006	15,470	70,000	13,615	99,085
2007	13,615	70,000	11,725	95,340
2008	11,725	70,000	9,800	91,525
2009	9,800	70,000	7,840	87,640
2010	7,840	70,000	5,880	83,720
2011	5,880	70,000	3,920	79,800
2012	3,920	70,000	1,960	75,880
2013	<u>1,960</u>	<u>70,000</u>	<u>0</u>	<u>71,960</u>
	<u>\$ 87,500</u>	<u>\$ 630,000</u>	<u>\$ 70,210</u>	<u>\$ 787,710</u>

COUNTY OF OGEMAW
West Branch, Michigan

SCHEDULE OF INDEBTEDNESS
December 31, 2004

\$525,000 OGEMAW COUNTY LAKE LEVEL (FLOWAGE LAKE DAM) BONDS

<u>Calendar Year</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>November 1 Interest</u>	<u>Total</u>
2005	\$ 9,400	\$ 25,000	\$ 8,700	\$ 43,100
2006	8,700	25,000	8,000	41,700
2007	8,000	25,000	7,300	40,300
2008	7,300	25,000	6,600	38,900
2009	6,600	25,000	5,900	37,500
2010	5,900	25,000	5,188	36,088
2011	5,187	25,000	4,463	34,650
2012	4,462	25,000	3,731	33,193
2013	3,731	25,000	2,994	31,725
2014	2,994	25,000	2,250	30,244
2015	2,250	25,000	1,500	28,750
2016	1,500	50,000	0	51,500
	<u>\$ 66,024</u>	<u>\$ 325,000</u>	<u>\$ 56,626</u>	<u>\$ 447,650</u>

ROAD COMMISSION MICHIGAN TRANSPORTATION FUND REVENUE NOTE PAYABLE

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 70,000	\$ 22,260	\$ 92,260
2006	70,000	18,690	88,690
2007	70,000	15,050	85,050
2008	70,000	11,340	81,340
2009	70,000	7,630	77,630
Thereafter	70,000	3,850	73,850
	<u>\$ 420,000</u>	<u>\$ 78,820</u>	<u>\$ 498,820</u>



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

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Kyle E Troyer, CPA

Herman A Bertuleit, CPA

June 2, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
County of Ogemaw
West Branch, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Ogemaw as of and for the year ended December 31, 2004, which collectively comprise the County of Ogemaw's basic financial statements and have issued our report thereon dated June 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

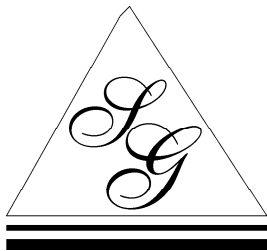
In planning and performing our audit, we considered the County of Ogemaw's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Ogemaw's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the County of Ogemaw in a separate letter dated June 2, 2005.

This report is intended solely for the information and use of management, the Board of Commissioners, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Gracik & Co., P.C.



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June 2, 2005

Board of Commissioners
County of Ogemaw
West Branch, Michigan

Dear Board Members:

We have audited the financial statements of the County of Ogemaw for the year ended December 31, 2004, and have issued our report thereon dated June 2, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated November 6, 2001, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the County of Ogemaw. Such considerations were solely for the purpose of determining our auditing procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Ogemaw are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2004. We noted no transactions entered into by the County of Ogemaw during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Ogemaw's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Ogemaw, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Ogemaw's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Ogemaw's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Additional Information

As a result of our study and evaluation of the internal controls as described in the third paragraph, certain matters came to our attention upon which we would like to comment and offer the following recommendations:

Deficit Fund Balances

Two funds had deficit fund balances at December 31, 2004 as follows: Probate Child Care Fund deficit of \$215,100 and Flowage Lake Dam Fund deficit of \$14,671. Deficit reduction plans will need to be filed with the State of Michigan for these two funds.

Cash Receipts

Of 25 cash receipts tested, 6 included differences in the cash and checks per the daily sheets versus the cash and checks per the deposit slips. All differences were explained by Treasurer Department staff, and were less than \$5.00 each due to minor over or underpayments. We discussed the cash receipting process with Treasurer's office personnel, and procedures were changed immediately in February 2005 to ensure the proper amount is deposited, and documentation supports all amounts deposited.

Petty Cash

Petty Cash replenishment checks should not be cashed out of the cash drawer. These should be taken to the bank to be cashed. We noted one petty cash check for EMS that was cashed out of their cash drawer.

Sheriff Department Inmate Cash Account

During the year ended December 31, 2004, an inspection was done on the Sheriff Department inmate cash account. Bank reconciliations had not been done in several years, we were never made aware of the account for previous audits, and the account was not carried on the County's general ledger. The internal controls over the bank account allowed the Jail Administrator to have complete control over the bank account. We recommended changes in the internal controls to ensure that a segregation of duties existed, which requires the work of one person is being checked by another person. All of the procedures were implemented by the time of the audit fieldwork in March 2005. The balance on the account was corrected at December 31, 2004 with an audit adjustment. We recommend the Treasurer's Department continue to prepare or review the bank reconciliations on a monthly basis and work closely with the Sheriff's department to ensure the correct balance is reflected on the County's general ledger system.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of the County.

This information is intended solely for the use of management, Board of Commissioners and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Stephenson, Graub & Co., P.C.